

RIDLEY Inc.

2009 ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2009

Dated September 2, 2009
with financial information disclosed as at June 30, 2009



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FIVE-YEAR HISTORICAL SUMMARY

(For the year ended June 30, in thousands of U.S. dollars, except employees, share and per share amounts)

	2009	2008	2007	2006	2005
FINANCIAL RESULTS					
Revenue	603,413	633,457	531,588	505,563	478,534
Gross Profit	82,878	94,939	86,979	88,479	87,417
Net earnings (loss)	(1,281)	5,992	8,985	13,214	10,748
Per share diluted	(0.09)	0.43	0.65	0.96	0.77
EBITA ¹	23,823	30,907	26,459	28,487	28,317
Per share diluted	1.72	2.23	1.91	2.06	2.04
Net cash from operating activities	9,734	15,815	5,827	30,434	19,199
Per share diluted	0.70	1.14	0.42	2.20	1.38
Capital expenditures	8,612	10,521	8,031	6,393	8,773
Total assets	226,217	268,667	241,067	233,257	224,171
Total debt (including current portion)	10,606	19,455	24,963	23,272	40,395
Shareholders' equity	149,013	153,503	145,863	136,027	118,722
Debt to total capitalization	6.6%	11.2%	14.6%	14.6%	25.4%
Net book value per share diluted	10.76	11.08	10.53	9.84	8.55
Change in net book value per share	-2.8%	5.2%	7.0%	15.0%	12.3%
Common shares outstanding at year end					
Basic	13,789,778	13,859,300	13,859,300	13,824,300	13,772,300
Diluted	13,789,778	13,859,300	13,856,692	13,827,015	13,881,392
Weighted average diluted for the year	13,845,355	13,859,300	13,856,692	13,827,015	13,881,392
STOCK MARKET (TSX)					
Price range (C\$ per share)					
High	10.25	10.24	9.00	11.00	11.75
Low	6.40	7.50	7.50	7.00	8.30
Close	6.99	10.00	8.23	8.00	9.50
Volume (shares)	1,337,524	865,527	1,721,860	214,802	747,246
Average daily trading volume (shares)	5,329	3,448	6,860	852	2,965
Employees	933	1,023	1,056	1,084	1,098

¹ Earnings before interest and amortization (EBITA) is defined as operating income before amortization, gain on sale of facilities, asset impairment loss, goodwill impairment loss, claim settlement and restructuring charges.

RIDLEY INC. PROFILE

Ridley Inc. is one of the largest commercial animal nutrition businesses in North America, serving customers mainly in the United States and Canada. Ridley manufactures and markets a full range of animal nutrition products, including formulated complete feeds, premixes, feed supplements, block supplements, animal health products and feed ingredients. Ridley's customers include livestock and poultry breeders and growers who produce meat, dairy and poultry products that are processed into consumer food products. Ridley's products are also sold to the equine, companion animal and hobby farm segments.

We create value for our customers by helping them to be more profitable in their own businesses through applied animal science and production technology. Our strategy for increasing shareholder value is to build on our leadership position in commercial animal nutrition markets, and to develop growth opportunities that meet our profitability and investment return objectives as a high-quality, efficient producer.

Ridley Inc. was formed in 1994 as a subsidiary of Ridley Corporation Limited, Australia's largest livestock feed manufacturer and salt producer/refiner, which had acquired Winnipeg-based Feed-Rite Mills, a livestock and poultry feed manufacturer with operations in Manitoba, Saskatchewan, Alberta and Ontario. Since 1994, Ridley has grown significantly, largely through the acquisition of a number of animal nutrition businesses in Canada and the United States, including Hubbard Feeds in 1997, Wayne Feeds in 2000 and Sweetlix in 2004. Ridley Inc. became a publicly traded company in 1997 and is listed on the Toronto Stock Exchange under the trading symbol RCL.

On November 4, 2008, Ridley Corporation Limited sold its majority shareholding in Ridley Inc. to Fairfax Financial Holdings Limited, a public company listed on the Toronto and New York Stock Exchanges (trading symbol FFH). Fairfax is a financial services holding company that, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management.

Ridley Inc. is comprised of three reporting segments: Ridley Feed Operations (RFO), Ridley Feed Ingredients (RFI) and Ridley Nutrition Solutions (RNS):

RFO comprises Feed-Rite and Hubbard Feeds, our traditional Canadian and U.S. feed businesses. RFO's reported results encompass ten full-line plants in Canada and twenty-one full-line plants in the U.S. RFO accounts for about 80% of Ridley's net revenues and volume. RFO plants derive most of their business by manufacturing and marketing a broad range of complete feeds, supplements and premixes to meat, milk and egg producers located mostly in the Midwestern United States and Prairie Provinces of Canada.

RFI produces and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients produced and distributed from its facility in Mendota, Illinois. RFI also engages in contract manufacturing of a wide variety of feed-related products such as feed additives for resale by pharmaceutical companies. The RFI segment also includes Ridley Poultry Services, which is a leading supplier of vitamin and mineral premix and consulting services to the poultry industry. Prior to the fiscal year ended June 30, 2008, the financial results of RFI were included in the reported results of RFO.

RNS is a combination of Ridley Block Operations (RBO), which manufactures a complete range of feed supplement blocks; Ridley Equine, which includes McCauley Bros., our premium horse feed business; and Ridley Specialty Products, a venture focused on marketing companion animal products to mass merchandisers. RBO manufactures low moisture, pressed, compressed, composite and poured blocks from seven facilities in the United States. Ridley Equine products are manufactured by McCauley Bros. in Versailles, Kentucky and the Ridley Equine Center in Chambersburg, Pennsylvania.

OPERATING HIGHLIGHTS

Safety First

Ridley is firmly committed to providing a safe environment for its employees, customers, contractors and the public. The safety of each employee will always be the first consideration in all aspects of our business. Continual improvement in safety performance is a measurable goal at Ridley. Total recordable employee injury rate in 2009, as measured by OSHA standards, was 40% lower than last year. Amongst 41 manufacturing facilities, 24 were free of any recordable employee injury in 2009.

Earnings

Goodwill impairment of \$11.4 million resulted in consolidated net loss after taxes of \$1.3 million compared to earnings of \$6.0 million (net of claim settlement) in the previous year. Loss per share was 9 cents in 2009 compared with earnings of 43 cents in 2008. EBITA was lower at \$23.8 million in 2009 compared to \$30.9 million last year.

RFO Challenged by Economic Environment

RFO gross profits were lower by 25.0% due to tonnage volumes decline of 13.7% and lower product margins resulting from competitive pressures and unfavourable economics in beef, dairy and hog markets. Gross profit decline of 20.9% in U.S. feed operations resulted from 15.7% decline in tonnage volume. Operating income in U.S. feed operations was lower by 68% after other restructuring initiatives. Selma, North Carolina plant was closed in 2009.

Reduced outlook for Canadian beef and hog sectors resulted in write-off of entire balance remaining in goodwill attributable to Canadian feed operations. Operating loss in Canadian feed operations resulted from 10.1% reduction in tonnage volumes and 32.6% decline in gross profits from last year.

Restructuring initiatives included closing of retail outlets and sale of redundant properties. Canadian hog producers continue to struggle with high feed grain costs and weak pork prices.

RFI Ahead on Margin Gains

Favourable product margins lifted RFI gross profits by 8.8% to offset lower volumes in 2009. Operating income increased to \$8.7 million in 2009 from \$7.6 million in 2008. Expansion of Mendota facility was initiated in 2009 with \$1.4 million in capital projects. Achieved fourth consecutive year of safety improvements.

RNS Block Growth Continues

RNS operating income was higher at \$8.9 million in 2009 from \$6.2 million in 2008. Lower tonnage volumes were offset by favourable product margins and earnings contribution from Flemingsburg, Kentucky block plant acquired in 2008. Reorganization of RNS business units was completed in 2009 and all facilities have converted to new ERP system.

Working Capital Unchanged

Net working capital balance unchanged from last year. Inventories reduced by \$21.7 million after surge last year due to feed ingredient cost inflation. Accounts payable and accrued liabilities reduced by \$23.8 million. Total bank debt reduced to \$10.6 million at year-end.

Court Dismisses BSE Class Action Lawsuit as Against Ridley in Ontario

All relevant conditions of the settlement between Ridley and plaintiffs in the BSE class action lawsuit were completed in 2009. Ridley made settlement payment of \$4.9 million made into the plaintiffs' trust fund for continuing litigation against Government of Canada. Court order dismissing Ridley from the Ontario action followed judicial undertaking by Government of Canada to not cross-claim against third parties. Ridley will apply for similar court dismissals in remaining actions in other provinces.

CHAIRMAN'S REPORT

It was a year of change and challenge at Ridley Inc. and, through it all, Steve VanRoekel and his management team performed very well. They managed the process that resulted in the sale by Ridley's founding shareholder, Ridley Corporation of Australia, of a controlling stake to Fairfax and they dealt with significant decreases in demand caused by a very difficult livestock economy. In my view, Ridley benefits from having a skilled, experienced and dedicated management team. As the changes Steve describes in his letter ripple through the agriculture economy, at Ridley we are dedicated to responding in ways that benefit our customers and create shareholder value.

In my first annual report to you as Chairman of Ridley Inc., it is unfortunate that I must advise you of Ridley's first annual earnings loss since becoming a public company. However, the loss in fiscal 2009 is due to an impairment of goodwill only in our Canadian operations and is not a reflection of what would otherwise have been a reasonable performance for the overall business given the very difficult economy. In the fourth quarter this year, Ridley recorded a goodwill impairment charge of \$11.4 million, thereby eliminating the entire balance of goodwill attributed to Canadian feed operations. The after tax effect of the goodwill impairment charge was \$9.9 million. As a result, Ridley reported a net loss for fiscal 2009 of \$1.3 million compared to earnings last year of \$6.0 million. If not for the goodwill impairment, Ridley would have earned \$8.6 million for the year.

As explained later in this annual report, we annually test the carrying value of intangible assets like goodwill against a fair value based on management's projection of future cash flows subject to a variety of assumptions about future growth rates, prices and costs. The Canadian goodwill largely originated from animal nutrition businesses Ridley acquired in 1997. From then to now, the market environment in Canada changed. Canadian cattle and hog producers have seen their own profitability diminished by a succession of economic setbacks: low farm-gate prices, high feed and fuel costs and curtailed live animal exports to the United States. To reflect this new environment, management adjusted its assumptions for the outlook of the Canadian portion of our business, and the goodwill impairment was the result. The goodwill impairment does not affect our position as it relates to the covenants on our credit facilities.

Our EBITA for the year was \$23.8 million, still a shortfall of 23% from exceptional results last year, but comparable to prior years and indicative of a durable business model. Cash flows from operations in 2009 were \$14.6 million (excluding the BSE claim settlement of \$4.9 million) compared to \$15.8 million last year. After funding capital projects, there was sufficient cash to reduce bank debt this year by another \$5.9 million, resulting in a total debt balance at year-end of \$10.6 million, the lowest in Ridley's existence as a public company.

Reduced operating income reported by the Ridley Feed Operations Division, which markets to traditional livestock and poultry markets in the United States and Canada, followed from lower tonnage volumes. The other reporting segments, Ridley Feed Ingredients and Ridley Nutrition Solutions, which serve more specialized markets, also reported moderately lower tonnage volumes, but gross profits in those divisions benefited more significantly from favourable inventory positions in feed ingredients.

Regardless of the adverse market factors affecting our business, we are not complacent about our financial results or the effects of the economic environment on our strategic position. Ridley ranks amongst the ten largest commercial animal nutrition manufacturers of its kind in the United States and Canada. However, we hold less than 3% of a North American market that is in excess of \$25 billion of sales annually. Despite a number of mergers and acquisitions in the last several years, the industry remains largely fragmented. It is made up of more than 400 animal nutrition manufacturers who vary greatly in scale of operations and approach to markets. A predominant challenge to the industry is the continuing consolidation of meat, milk and egg producers into larger and more sophisticated animal production units, often specializing in separate stages of production that are more capital intensive, and

have greater purchasing power. Over the long-term, producer consolidation has created excess capacity amongst commercial feed manufacturers and a clear need for further restructuring. Thus, a recurring theme in our strategic environment will be the continuing consolidation of commercial feed manufacturers through acquisitions, mergers and plant closures.

Amongst the notable events of the past year was the acquisition by Fairfax Financial Holdings Limited of the majority shareholding in Ridley Inc. held by Ridley Corporation Limited of Australia. Ridley Inc. became a major presence in the animal nutrition industry through a series of major acquisitions starting with Feed-Rite in Canada in 1994, followed by Hubbard Feeds in 1997 and the Wayne Feeds Division of ContiGroup Companies in 2000, with several smaller niche acquisitions along the way. Ridley Inc. went public on the TSX in 1997 with Ridley Australia retaining 68.8% of the outstanding shares. However, after a review of its own strategic position, Ridley Australia decided to exit North America and focus on its own business in Australia. In May 2008, Ridley Australia advised the Ridley Inc. Board of its intention to divest its interest in the Company. In response, the Board initiated a process to explore potential sale alternatives for Ridley Australia and other shareholders. The Board retained CIBC World Markets Inc. as its financial advisor and Davies Ward Phillips & Vineberg LLP as its legal advisor in connection with this process. Finally, on September 24, 2008, Ridley Australia agreed to sell its controlling block of 9,533,430 shares of Ridley Inc. to Fairfax at a purchase price of C\$8.50 per share.

The Fairfax transaction, completed on November 4, 2008, was a private sale agreement. Ridley Inc. was not a party to the transaction and no general offer was made to Ridley shareholders. Fairfax acquired its position in Ridley Inc. as an investment having recognized that the Company had greater potential than indicated by its market value. Shortly thereafter, Fairfax increased its total holdings in the Company to 10,000,330 shares by acquiring additional shares of Ridley in an open market transaction through the Toronto Stock Exchange.

The sale of Ridley Australia's interest resulted in the termination of Ridley Inc.'s North American loan facility, which was subordinated to Ridley Australia's general loan facility. The Company obtained new credit facilities with The Bank of Nova Scotia providing up to C\$30 million and a further US\$20 million in term advances in addition to \$9 million in other overdraft facilities. At the 2009 fiscal year-end, the Company had \$44.5 million of unutilized borrowing capacity in these credit facilities. The Company also entered into an intellectual property license agreement with Ridley Australia permitting the Company indefinite use of the Ridley name and corporate logos in North and South America.

The composition of the Board of Directors also changed last year because of the sale of majority control to Fairfax. On completion of the sale on November 4, 2009, Ian Wilton resigned as a director and I was appointed by the Board in his place. Ian was the Chief Financial Officer of Ridley Corporation and held his position on the Board by virtue of its majority shareholding. Brian Hayward was Chairman of the Board from the time of his appointment in September 2007 and was at the helm as the Company steered its course through the strategic review process in 2008. Brian relinquished the role of Chairman to me upon the acquisition by Fairfax and now continues as a director and Chair of the Board's Compensation/Corporate Governance Committee.

At the Annual and Special Meeting of Shareholders held on December 15, 2008, a majority of the shareholders approved expansion of the Board to seven directors. Chandran Ratnaswami was elected at the meeting to fill the seventh director's position on the Board. Chandran is the Managing Director of Hamblin Watsa Investment Counsel Limited, which is a wholly owned subsidiary of Fairfax providing investment management services to all of the insurance and reinsurance subsidiaries of Fairfax.

In January, we received the resignation of Christopher Martin from the Board following his acceptance of appointment as a Judge of the Queen's Court of Bench for Manitoba. Chris joined the Ridley Board in October 2007 and assisted the Company greatly through the strategic review process. The Board has not filled the vacancy following Chris's departure, so the number of directors remains at six. Wayne Harden

continues as a director and the Chair of the Audit Committee. The other members of the Audit Committee are Chandran Ratnaswami and Dr. Larry Martin, a director of Ridley since 1997.

Ridley's Chief Financial Officer since 2000, Mike Mitchell, retired in September this year after 32 years of service to the Company, starting with the Hubbard Milling Company in Mankato, Minnesota, which Ridley acquired in 1997. Mike announced his plans to the Board early in 2009 so that we could have a smooth succession following completion of this year's financial statements. The Board extends its sincere appreciation to Mike for his steady, guiding hand at the financial tiller for the last ten years. Appointed as our new Chief Financial Officer is Gordon Hildebrand, CMA, formerly Vice President of Finance and Administration for the Company. Prior to joining Ridley in 2000, Gordon held senior financial management positions in various industries including textile manufacturing, printing, publishing and potash mining.

In December last year, we announced a normal course issuer bid to repurchase Ridley Inc. shares through the TSX. The Board took this action to provide additional liquidity to the market for Ridley shares. To date, the Company has repurchased 69,522 shares at an average cost per share before commissions of C\$6.62. The normal course issuer bid will terminate on December 14, 2009.

There were positive developments this year in the BSE class action lawsuits. The actions were started in 2005 by several representative plaintiffs alleging that Ridley and the Government of Canada were responsible for damages suffered by cattle producers following the 2003 discovery of BSE in a cow in Alberta. For the next two and a half years, the Company made various applications to the Canadian courts to have the claims dismissed for no cause of action, including an application for leave to appeal to the Supreme Court of Canada. Having regard for the time, expense and uncertainty of this kind of litigation, the Company finally entered into an agreement with the representative plaintiffs in February 2008 to cap Ridley's potential liability to a C\$6 million settlement payment. After obtaining court approval for the settlement in January 2009, Ridley paid the settlement amount into a trust fund created by the representative plaintiffs to finance continuation of their claims against the Government of Canada. (The claim settlement expense was recognized in the Company's financial statements for fiscal 2008.) The Government of Canada subsequently made a judicial undertaking to the Ontario Superior Court of Justice that, based on the plaintiffs' revised statement of claim, it would not seek to join Ridley as a third party to the continuing litigation against the Government of Canada or to attribute to Ridley any portion of fault for the damages suffered by class members. With that undertaking by the Government, Ridley was granted a court order on July 28, 2009 dismissing it from the Ontario action. Over the next several months, we will seek to obtain similar court orders from each of the other provinces in which the representative plaintiffs filed claims.

Finally, I wish to remind our shareholders that Ridley's annual general meeting of shareholders will be held at the Fairmont Royal York, 100 Front Street West, Toronto, at 4:00 p.m. local time on Monday, November 9, 2009. This is your opportunity to learn more about Ridley, meet our directors and senior management, and hear about our plans for the future.

In closing, I extend my appreciation to the directors for their support in managing the changes to the Board structure this year and for their constant diligence on behalf of all shareholders. I also wish to thank on behalf of the Board all of the employees of Ridley for their efforts and achievements in maintaining a safe work environment and helping the business grow profitably. Like our customers, we look forward to a better livestock economy next year.

Bradley P. Martin
Chairman

PRESIDENT & CHIEF EXECUTIVE OFFICER'S REPORT

Without question, this past year presented the most challenging and unique set of conditions for livestock and poultry production in North America that I've seen during 25 years in the animal nutrition business.

In 2007 and 2008 several factors drove feed commodity prices to record highs and the weak U.S. dollar increased exports; the latter of which propped up prices for livestock and poultry producers despite record production. Cyclical changes in production and prices are a normal feature in agriculture, but the extraordinary nature of this situation was how they impacted nearly every segment at the same time.

It should have been apparent that those conditions were not sustainable, but it took the economic crisis in 2008 to trigger a sharp drop in producer prices to below breakeven where they remain today in most segments. The strengthening of the U.S. dollar and reduced consumer demand in the midst of a world recession slowed exports which exposed heavy inventories and excess production. While some of the same factors eased commodity prices, feed costs remain relatively high by historical standards.

Animal agriculture in Canada, aside from the supply-managed poultry and dairy segments, is essentially driven by the same factors as in the U.S., with one important difference. The weak U.S. dollar, which fueled the export boom in the U.S., had the opposite effect on Canadian producers. For example, Canadian pork producers who expanded on the Prairies while the Canadian dollar was weak, have now suffered losses for a longer period of time than their U.S. counterparts.

As in any commodity industry, the only cure for low meat, milk and egg prices is reduced production, which is well underway across most sectors. In addition to reducing animal numbers, livestock and poultry producers have attempted to lower their feeding costs by reducing supplementation and accepting the consequential loss in production efficiency.

In normal circumstances, when there is a cyclical downturn in a particular segment, Ridley's balanced exposure to each of the major animal species markets tends to smooth overall earnings. Ridley also focuses on value-added, low inclusion premixes, specialty products and supplements that tend to react less directly to economic cycles. And no single customer represents more than two percent of our gross profit. Yet, these mitigating factors were not enough to avoid the impact on our results last year from the economic conditions that impacted most market segments simultaneously.

So that's really the story of our fiscal 2009; reductions in animal numbers compounded by more conservative feeding habits and light inventories, multiplied across most segments, equaled sharply lower volumes for us.

In response to softening volumes last fall, management undertook to adjust Ridley's cost structures. We reduced our workforce by about five percent while salaries and hiring were frozen. Spending on discretionary items like travel and advertising was reduced. We focused resources on only the most critical capital projects and initiatives. The cost reduction program positively impacted results in 2009 by nearly \$7 million, most of which was reflected in the last half of the year. Because of that action, we managed to achieve operating EBITA of \$23.8 million in fiscal 2009, which was within 25% of very good results in the prior year.

Ridley's earnings in the prior year were significantly helped by inventory holding gains generated from rising raw material markets. However, declining raw material prices this year also had a short-term negative on our profit margins. Actions taken to reduce inventory levels and to restrict forward priced positions on raw materials helped to minimize inventory holding losses in 2009.

The positive effect on working capital from lower raw material prices allowed us to reduce debt to \$10.6 million dollars, which made Ridley's year-end balance sheet our strongest ever.

Despite these successes, we were disappointed to report the \$11.4 million write-down of goodwill in our Canadian feed operations, which led to Ridley's first annual earnings loss since formation as a public company. While this was largely a reflection of the extremely difficult trading environment in Canada, we remain confident in and are committed for the long-term to our feed business in Canada.

Setting the earnings results aside, there were a number of important accomplishments in fiscal 2009.

- We established new banking and insurance relationships following the sale of the controlling shareholding by Ridley Corporation Limited to Fairfax Financial Holdings. Scotiabank provided \$50 million in new credit facilities at competitive rates.
- The BSE class action lawsuit settlement agreement was finalized and a dismissal of the action as against Ridley has been obtained in Ontario. We expect to achieve similar dismissals in the remaining provinces by the end of fiscal 2010.
- We began the implementation phase of a new ERP system at the start of fiscal 2009. The project is on-time and within budget. All of our facilities should be on the new system by the end of calendar 2009. This is a very important achievement.
- We invested \$8.6 million in capital improvements in 2009, including the installation of several robotic material handling systems. And last year's acquisition of the 4 Seasons block business in Kentucky exceeded our earnings expectations in 2009.
- Last but not least, we incurred just one minor lost-time injury in 2009. Our total recordable injuries fell by nearly half. These results demonstrate the collective power of more than 900 people working towards the same goal.

In the near term then, our goal is to be realistic and prepared for challenges, but also to put ourselves in the best possible position to take advantage of opportunities that are emerging today, and will be certain to emerge in time. To accomplish that aim, we have four primary areas of focus for the year:

1. Because commodity prices so heavily influence the balance sheet and results, we are working on a number of initiatives to leverage the new ERP system to develop raw material and inventory management into a core competency at Ridley Inc.
2. Because the global economic crisis has changed perception and reality in many ways, we are adapting to changing stakeholder expectations by realigning our financial goals around return on shareholders' equity and free cash flow; and spending a greater amount of time communicating our value, direction, and stability to stakeholders.
3. It will be critical that we innovate at both ends of the P&L (i.e. sales and expenses) by holding the cost reductions achieved in fiscal 2009, continuing to pursue innovate new efficiency projects like automation, and keeping a heavy emphasis on new product development.
4. Last and most importantly, we are rallying around the sales and customer service processes. Our competitive advantage is relationships with our customers. In addition to other things, we've implemented a new system for tracking and resolving customer satisfaction.

We also intend to continue investment in our business in fiscal 2010. A variety of labor-reducing automation projects will again headline fiscal 2010 plans; and we're in the early stages of planning for a multi-million dollar investment to better utilize our new ERP system by installing bar coding in all our facilities. A two-phase warehouse expansion is underway at our Ridley Feed Ingredients plant in Mendota, Illinois; and we're in the planning stages for a \$2.5 expansion to allow our Worthington, Minnesota block plant to offer its customers three entirely new product lines.

As I consider the outlook for fiscal 2010 and beyond, I believe there will be a likely progression of events that will affect our results, given that there are only a few factors driving livestock and poultry markets:

- While a higher degree of volatility is likely to exist in the raw material markets well into the future, in the near term we expect that commodity prices will stabilize and at lower levels than we experienced at their peaks in 2008. That's going to lower producer breakevens and give them more confidence and resources to buy feed. Lower, more stable prices will also stabilize our earnings and further reduce our working capital needs and debt.
- Eventually, overproduction in meat, milk, and eggs leads to reduction in animal numbers, which then leads to higher farm gate prices and producer profits, which will increase the demand for feed. Unfortunately, at the time of this writing, liquidation and subsequent profitability in some sectors like pork production still seems many months into the future, perhaps well into calendar 2010.
- In the longer term, however, the fundamentals for this business are quite clear. The combination of population growth and growing affluence in developing countries will continue to result in stronger demand for high protein diets and thus feed. Thanks to an abundance of resources, infrastructure, and ingenuity, agriculture producers in North America continue to enjoy the lowest cost of production anywhere in the world.

There's little question that while the outlook for production agriculture continues to look weak at the moment, we expect better results in fiscal 2010 and are working harder than ever to keep ourselves in a great position for the future. We'll be a better business and better positioned to seize opportunity when it appears. We are excited to have Fairfax Financial Holdings, as well as new directors Brad Martin and Chandran Ratnaswami in our corner. In a lot of ways, it feels like a new start.

In closing, let me say thank you on behalf of the management team to our employees, shareholders, vendors, and customers for their continued support of our business. I especially wish to acknowledge the recent retirement of our Chief Financial Officer, Mike Mitchell. He left an indelible mark on the character of this organization in his more than 32 years here and will be sorely missed. Thank you, Mike.

Steven J. VanRoekel
President & Chief Executive Officer

RIDLEY INC. OPERATIONS

HEAD OFFICES

United States

- 424 North Riverfront Drive,
Mankato, Minnesota 56002-8500
Tel. (507) 388-9400

Canada

- 34 Terracon Place
Winnipeg, Manitoba R2J 4G7
Tel. (204) 954-7805

RIDLEY FEED OPERATIONS (RFO)

Primary Feed Plants - U.S. Feed Operations

- Bismarck, North Dakota
- Grandin, North Dakota
- Rapid City, South Dakota
- Huron, South Dakota
- Watertown, South Dakota
- Worthington, Minnesota
- Alexandria, Minnesota
- Mankato, Minnesota
- Beloit, Kansas
- Columbus, Nebraska
- Sioux City, Iowa

- Storm Lake, Iowa
- Atlantic, Iowa
- Iowa City, Iowa
- Bushnell, Illinois
- Appleton, Wisconsin
- Hopkinsville, Kentucky
- Castleton, Indiana
- Shippshewana, Indiana
- Botkins, Ohio
- Lancaster, Pennsylvania

Primary Feed Plants - Canadian Feed Operations

- Linden, Alberta
- Fort Macleod, Alberta
- Saskatoon, Saskatchewan
- Humboldt, Saskatchewan
- Brandon, Manitoba
- Manitou, Manitoba
- Arborg, Manitoba

- Winnipeg, Manitoba
- Grunthal, Manitoba
- Mitchell, Ontario

Retail Stores:

- Swift Current, Saskatchewan
- Winnipeg (WLS), Manitoba

RIDLEY NUTRITION SOLUTIONS (RNS)

Ridley Block Operations

- Whitewood, South Dakota
- Worthington, Minnesota
- Flemingsburg, Kentucky
- Montgomery, Alabama

- Buffalo, Texas
- Fort Worth, Texas
- Stockton, California

Ridley Equine Nutrition

- Versailles, Kentucky
- Chambersburg, Pennsylvania

RIDLEY FEED INGREDIENTS (RFI)

Micro-Ingredient Premix

- Mendota, Illinois

BOARD OF DIRECTORS

BRADLEY P. MARTIN, CHAIRMAN

Director and Chairman since November 2008. Vice President, Chief Operating Officer and Corporate Secretary of Fairfax Financial Holdings Limited. Mr. Martin joined Fairfax in 1998 as a Vice President and was appointed its Chief Operating Officer in November 2006. Mr. Martin is a director of Odyssey Re Holdings Corporation and Northbridge Financial Corporation.

WAYNE HARDEN

Director since October 2007 and Chair of the Audit Committee. Operates a grain farm near Stonewall, Manitoba. Mr. Harden spent his professional career with the Scotiabank Group, retiring in 2004. He served initially in the commercial area of the bank and, prior to moving into Scotia Capital, had been a Vice President in Winnipeg. At Scotia Capital he was Managing Director - Corporate Banking with responsibility for Agricultural Products. Mr. Harden is a Fellow of the Institute of Canadian Bankers and has served on the boards of several private companies and not-for-profit organizations.

BRIAN HAYWARD

Director since October 2007 and Chairman from October 2007 to November 2008. Chair of the Compensation/Corporate Governance Committee since May 2009. Presently President of Aldare Resources, which provides commercial advisory services. Commencing in 1981, Mr. Hayward held various positions with United Grain Growers Limited, operating as Agricore United, including as Chief Executive Officer from 1991 until June 2007. Mr. Hayward has also been involved on the boards of several public and private companies and not-for-profit organizations.

DR. LARRY J. MARTIN

Director since May 1997. Dr. Martin was formerly Chief Executive Officer of the George Morris Centre from 1998 until 2007, and is now a Senior Fellow in the Centre. Previously Professor and Chair, Department of Agricultural Economics and Business, University of Guelph.

CHANDRAN RATNASWAMI

Director since December 2008. Managing Director of Hamblin Watsa Investment Counsel Ltd., a wholly owned investment management company of Fairfax Financial Holdings Limited. Hamblin Watsa provides discretionary investment management to all of the insurance and reinsurance subsidiary companies of Fairfax and currently manages approximately \$20 billion. At Hamblin Watsa, he is responsible for portfolio investments in Asia. He joined Hamblin Watsa in 1994 as Director of International Investments.

STEVEN J. VANROEKEL

Director since December 2007. President and Chief Executive Officer of Ridley Inc. Mr. VanRoekel first joined the Ridley organization in 1999 as General Manager of U.S. Feed Operations. In 2003, he was appointed Vice President of Ridley Inc. and President of Ridley Feed Operations. In 2004, Mr. VanRoekel was appointed President of Ridley Inc. and in 2005, he was appointed Chief Executive Officer of Ridley Inc. Mr. VanRoekel has served on the Board of Directors and various committees of the American Feed Industry Association (AFIA) and is Chairman Elect of the AFIA in 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis as of September 2, 2009, should be read in conjunction with Ridley Inc.'s (the "Company") financial statements and notes to the financial statements that appear on pages 40 to 70 of this report. Unless otherwise indicated, references to years refer to the Company's fiscal years ending June 30.

The financial data in the Management's Discussion and Analysis has been prepared in accordance with Canadian generally accepted accounting principles (GAAP). All amounts are in U.S. dollars unless otherwise specified.

RESULTS OF OPERATIONS

Overview

For the fiscal year ended June 30, 2009 Ridley Inc. recorded a net loss after taxes of \$1.3 million (9 cents loss per share) on sales of \$603.4 million. The Company recorded an \$11.4 million write-down of goodwill in the fourth quarter of fiscal 2009 following an impairment test of goodwill related to Canadian feed operations. The goodwill impairment reflects management's expectations for continuing difficulty for the beef and pork production economy in Western Canada. The after-tax effect of the goodwill impairment on 2009 earnings was \$9.9 million (72 cents per share). Excluding the goodwill impairment, earnings in fiscal 2009 would have been \$8.6 million (63 cents per share). In the prior year, the Company recorded net earnings of \$6.0 million (43 cents per share), including the claim settlement expense in the BSE lawsuits of \$4.4 million after-tax. Excluding the claim settlement expense, earnings in fiscal 2008 would have been \$10.4 million (75 cents per share).

Summary of Results of Operations (\$ millions)	12 Months Ended June 30	12 Months Ended June 30
	2009	2008
Revenue	603.4	633.5
Gross Profit	82.9	94.9
Net earnings (loss)	(1.3)	6.0
Per share (basic and diluted)	(0.09)	0.43

The Company's commercial feed business is largely subject to the economic forces prevailing amongst livestock and poultry producers. In early 2008, a significant divergence emerged between the prices livestock and poultry producers received for their products and what they paid for animal feed supplies. Prices of most feed grains were driven to record high levels by July 2008. However, farm gate prices for meat, milk and egg products remained generally flat throughout that period. Consequently, most livestock and poultry producers, excluding those of the supply-managed sectors of dairy and poultry in Canada, saw profit margins decline well below breakeven levels in 2008.

By the end of 2008, corn prices returned to more normal levels, but prices for other feed commodities remained at elevated levels well into 2009. Despite negative profit margins in 2008, most livestock producers continued to operate at full capacity since modern, large-scale, livestock production systems must generally operate at a fixed size, at least for the short-term. However, extended producer losses has prompted significant reduction in animal herds and flocks with the resulting effects of reduced demand for commercial feed products. Ridley's performance in fiscal 2009 reflects the lower demand for commercial feed resulting from poor profits earned by livestock and poultry producers and the consequential reduction in herds and flocks.

In fiscal 2009, sales tonnage volumes declined by 12.7% from last year. The loss of volume was largely concentrated in the Ridley Feed Operations (RFO) Division, which markets complete feeds, supplements and premixes to core cattle, swine and poultry production markets in the United States and Canada.

Consolidated sales revenues of \$603.4 million in fiscal 2009 were 4.7% lower than the prior year due to lower tonnage volumes and a lower average exchange rate for Canadian currency, partly offset by higher selling prices as average feed ingredient costs have remained higher than last year.

Because of lower tonnage volumes, Ridley's gross profits in 2009 declined by 12.7% to \$82.9 million from \$94.9 million in fiscal 2008. However, gross profits per ton increased by 3.7% in fiscal 2009 because of an increased contribution of higher value-added feed ingredients and feed blocks to the overall product mix. The effect of lower volumes on gross profits was partly mitigated by manufacturing cost reductions resulting from cost management initiatives.

Operating expenses, excluding unusual items, were lower by \$4.1 million in fiscal 2009 as a result of reduced selling, general and administrative expenses which followed from closure of two production facilities, reductions of staff, a temporary salary and wage freeze and cuts in discretionary spending. Operating expenses this year and last year included approximately \$0.9 million in advisory fees related to the strategic review process that concluded in September 2008.

Reported operating expenses of \$82.0 million in 2009 included the following unusual items: \$11.4 million for the non-cash write-down of goodwill in Canadian feed operations, an asset impairment loss of \$1.6 million for the closed facilities and a gain of \$0.6 million on the sale of Alberta retail store properties.

The \$11.4 million non-cash write-down of goodwill followed from a fair value impairment test of intangible assets of the Company's Canadian feed operations. The impairment test was based on management's long-range forecast of earnings for Canadian operations in which adjustment was made for the current adversity in the Canadian livestock industry from high feedgrain costs, low hog and cattle prices, and impediments to exports of Canadian pigs to U.S. processors. Following the goodwill write-down, the balance remaining in goodwill was \$38.0 million, which was comprised entirely of goodwill attributable to U.S. operations of the Company.

Earnings before interest, taxes and amortization (EBITA) were \$23.8 million in fiscal 2009 compared to \$30.9 million last year. The decline of \$7.1 million in EBITA between 2008 and 2009 was the result of a \$12.1 million reduction in gross profit partly offset by lower operating costs of \$4.9 million.

The Company's operating segments are Ridley Feed Operations (RFO) and Ridley Nutrition Solutions (RNS) and Ridley Feed Ingredients (RFI).

The RFO segment consists of full-line feed production facilities operating in the United States and Canada, producing and marketing products for the core animal nutrition market. The RNS segment consists of feed supplement blocks and equine nutrition products. The RFI segment comprises vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients.

For the fiscal year 2009, the RFO segment recorded an operating loss of \$12.1 million compared with income of \$13.9 million in the prior year. RFO gross profits were lower by \$15.6 million because of sales tonnage losses in a market substantially affected by low or negative earnings of livestock and poultry producers. RFO's results include a goodwill impairment of \$11.4 million recorded in the fourth quarter of fiscal 2009. Operating income in the RNS segment improved in fiscal 2009 to \$8.9 million from \$6.2 million in the prior year. RNS gross profits improved by 11.5% in fiscal 2009 on higher unit margins, which offset an 8.9% reduction in tonnage volumes. RFI operating income increased to \$8.7 million in fiscal 2009 from \$7.6 million in fiscal 2008 because of strong unit margins following from a rising market in micro-ingredients.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Income (Loss) From Operations

On a consolidated basis, revenue from operations for fiscal 2009 decreased by \$30.0 million, or 4.7%, to \$603.4 million compared with \$633.5 million in fiscal 2008. A comparison of revenue on a dollar basis is not necessarily indicative of the strength of Ridley's business because revenue can be influenced by fluctuating commodity prices. Approximately \$20.3 million of the \$30.0 million decrease in revenue from last year is due to the 12.9% lower average exchange rate for Canadian dollars relative to last year.

Cost of sales decreased by \$17.3 million to \$520.5 million compared with \$538.5 million in the previous year. Gross profits for 2009 of \$82.9 million were \$12.1 million or 12.7% lower than the 2008 total of \$94.9 million. As a percentage of revenue, gross profits in 2009 were 13.7% compared with 15.0% in 2008.

Total operating expenses were \$82.0 million for the year, or \$2.6 million higher than the 2008 total of \$79.4 million. The change in operating expenses from last year was due to the following unusual items:

- gain of \$0.6 million in 2009 on the sale of redundant properties compared to a gain of \$1.6 million last year;
- asset impairment losses of \$1.6 million in 2009 on the closure of redundant feed manufacturing facilities compared to \$1.3 million last year;
- settlement expense of \$6 million last year in the BSE class action lawsuits;
- impairment of goodwill of \$11.4 million resulting from the impairment test of the carrying value of assets related to Canadian feed operations of RFO;

Excluding these unusual items, operating expenses in 2009 would have been \$69.6 million compared to \$73.7 million in 2008, a 5.6% decrease resulting mainly from decreased employment expenses, reduced discretionary spending on travel and promotion, and the effect of the lower Canadian dollar exchange rate.

Summary of Operating Expenses (\$ millions)	12 Months Ended June 30 2009	12 Months Ended June 30 2008
Selling, general and administrative expense	60.2	64.3
Amortization of property, plant and equipment	8.3	8.1
Other amortization	0.2	0.1
Research and development	0.9	1.2
Operating expenses before unusual items	69.6	73.7
Gain on sale of facilities	(0.6)	(1.6)
Asset impairment loss	1.6	1.3
Claim settlement	-	6.0
Goodwill impairment	11.4	-
Net Operating Expenses	82.0	79.4

Operating income of \$0.9 million in fiscal 2009 was \$14.6 million lower than the \$15.5 million reported in 2008. Interest expense was \$2.1 million in 2009, a decrease of \$0.4 million from 2008.

Consolidated net loss after taxes in fiscal 2009 was \$1.3 million (loss per share of \$0.09) compared with net earnings of \$6.0 million (earnings per share of \$0.43) in 2008.

Ridley has adopted new guidelines of the Canadian Institute of Chartered Accountants (CICA) including the reporting of comprehensive income and its components. Comprehensive income (or loss) is the change in Ridley's net assets that result from transactions, events and circumstances from sources other than investments by and/or distributions to Ridley's shareholders. Ridley's comprehensive loss in the

twelve months of fiscal 2009 was \$4.2 million comprised of consolidated net loss of \$1.3 million as reported above, and \$2.9 million of unrealized losses on translation to U.S. currency of financial statements of related entities with foreign functional currency. Comprehensive income in the twelve months of the prior year was \$7.6 million comprised of \$6.0 million in net earnings as reported above, and \$1.6 million of unrealized gains on translation to U.S. currency of financial statements of related entities with foreign functional currency.

Several factors affected Ridley's results in 2009.

- Total tonnage volume in fiscal 2009 declined by 12.7%, substantially the result of soft demand for complete feeds and supplements in the core business, Ridley Feed Operations (RFO), which relies on traditional animal nutrition markets in Canada and the United States. Consequently, RFO's gross profits declined by \$15.6 million, or 25.0%, from last year. The other reporting segments, Ridley Feed Ingredients (RFI) and Ridley Nutrition Solutions (RNS), reported increased gross profits over the prior year by \$1.0 million and \$2.5 million, respectively, as profit margins improved in higher value added products. Overall, gross profits declined by \$12.1 million.
- The effect of lower gross profits on operating income was partly offset by a reduction in overhead costs, largely the result of cost management initiatives undertaken in fiscal 2008 and early in fiscal 2009. In 2009, operating expenses included \$11.4 million in goodwill impairment while last year operating expenses included the \$6.0 million expense of the BSE claim settlement. Reported operating expenses in both years also include other unusual items such as asset impairment losses, restructuring costs, and gain on sale of properties. Excluding these unusual items, operating expenses in 2009 were lower by \$4.1 million from the previous year. Cost reductions were achieved in employee salaries and discretionary expenditures such as travel, advertising and promotion. The lower Canadian dollar reduced reported operating expenses by \$2.3 million.
- An \$11.4 million, non-cash write-down of the entire balance of goodwill in Canadian feed operations within the RFO reporting segment was recorded in the fourth quarter of fiscal 2009. The write-down of goodwill followed from a fair value impairment test of intangible assets of Canadian feed operations. A projection of future earnings of Canadian feed operations reflected continuing difficulty for the beef and pork production economy in Western Canada.
- Ridley Feed Operations (RFO) recorded an operating loss of \$12.1 million in fiscal 2009 compared to operating income of \$13.9 million in fiscal 2008. The loss was due to a goodwill impairment of \$11.4 million in Canadian feed operations combined with a \$15.6 million shortfall in gross profits from the prior year due to lower sales tonnage volume in a market substantially affected by low or negative earnings of livestock and poultry producers. Operating expenses in RFO also included an asset impairment loss of \$1.4 million resulting from the closure of the Selma, North Carolina, feed plant partly offset by a gain of \$0.6 million on the sale of feed stores in Lacombe and Rimbey, Alberta. Excluding the goodwill impairment, as well as the asset impairment loss and the gain on sale of facilities, RFO operating income in fiscal 2009 would have been \$0.1 million.
- Ridley Feed Ingredients (RFI) operating income increased by \$1.1 million over last year due to a favourable product mix, inventory gains and good production cost controls. For fiscal 2009, RFI gross profits increased by 8.8% mainly due to higher unit selling prices driven by higher ingredient costs. Steady increases in global prices for agricultural raw materials had a positive impact on RFI's earnings in 2009 as well as last year as raw materials were formulated into finished products and sold at prices reflecting higher market replacement costs.
- Ridley Nutrition Solutions (RNS) started fiscal 2009 ahead of last year with an improved product mix of higher margin products due to improved weather and pasture conditions in key cattle markets of the U.S. However, later in the year, as the cattle and dairy economy weakened from lower producer margins and demand for beef weakened in a severe world recession, uncertainty overtook the

distribution channels for RNS products and sales volumes declined to finish the year 8.9% below last year. Despite lower volume, gross profits increased by 11.5% with the aid of higher selling prices reflecting an improved product mix, good ingredient positions and the contribution from the acquisition of 4 Seasons Marketing LLC late in 2008. Operating expenses were materially unchanged from the prior year enabling RNS to report an increase in operating income of \$2.7 million.

- In fiscal 2008, a settlement agreement was reached with the representative plaintiffs in the BSE class action lawsuits in which Ridley agreed to pay C\$6 million into a plaintiffs' settlement trust fund to cap the Company's exposure to the claims made by the plaintiffs to that amount. The after-tax effect of the claim settlement on net earnings in fiscal 2008 was \$4.4 million. The terms of the settlement agreement were met in January 2009 after the number of cattle producers opting out of the settlement was below the agreed threshold. Payment of the settlement funds (US\$4.9 million) was completed in the third quarter of fiscal 2009. Because of the settlement agreement, expenses for legal advisory services in fiscal 2009 were lower by \$0.8 million from the prior year.
- A strategic review process was initiated in the fourth quarter of fiscal 2008 following from the intention of the controlling shareholder, Ridley Corporation Limited ("Ridley Australia"), to sell its investment in Ridley Inc. Ridley Australia completed the sale of its 68.8% shareholding to Fairfax Financial Holdings Limited on November 4, 2008. Ridley Inc. was not a party to the transaction. Legal and financial advisory expenses attributable to the strategic review process were \$0.9 million in fiscal 2009 and \$0.9 million in fiscal 2008.

Interest Expense

Interest expense was \$2.1 million in 2009 compared to \$2.5 million in 2008. Total short-term and long-term debt decreased to \$10.6 million at the end of fiscal 2009 from \$19.5 million at the end of last year. The reduction in debt at the end of fiscal 2009 was due to \$5.9 million of net repayments from cash flow generated by operations and the effect of the lower Canadian dollar exchange rate by 12.4% in 2009 on Canadian debt balances.

Interest Income

Interest income of \$0.4 million in fiscal 2009, consisting primarily of interest received on loans and accounts receivable from third parties. Interest income in the prior year was \$0.7 million.

Income Taxes

The provision for income taxes in the full year of fiscal 2009 was \$0.5 million, compared with \$7.7 million recorded in fiscal 2008. The Company's effective income tax rate is a combination of tax rates applied to the results of operation reported by the U.S. and Canadian entities. A number of factors affected the Company's effective income tax rate in fiscal 2009 and fiscal 2008. These factors include:

- In both years, the Company's U.S. entities generated taxable income that was taxed at a higher rate than the Canadian statutory tax rate, while Canadian entities incurred taxable losses. Income tax benefits were recorded at rates applicable to the year in which the losses are expected to be utilized. Rates in future years are lower in comparison to the current year rate thereby, reducing the amount of income tax benefits recorded.
- The goodwill impairment recorded in the fourth quarter of fiscal 2009 includes \$5.8 million that is not recognized for tax purposes resulting in an adverse effect on income tax provisions of \$1.8 million.
- For income tax purposes, the tax basis of assets and liabilities associated with the Company's Canadian entities was reset upon the change in control of the majority shareholder in fiscal 2009. The corresponding increase in the tax basis of property, plant and equipment allows for larger tax depreciation deductions in future years, but creates taxable income in the current year. The resulting increase in taxable income was offset by utilization of existing tax loss carryforwards arising from prior capital losses and non-capital losses. In prior years, the Company took full

valuation reserves on its capital loss carryforward positions, and in fiscal 2008 a \$1.4 million valuation reserve was taken on non-capital loss carryforward positions. Therefore, a recovery associated with these valuation reserves was recognized in 2009. The net favourable impact of these recoveries on income tax provisions in 2009 was \$1.9 million.

Net Earnings (Loss) for the Year

Because of the \$11.4 million write-down of goodwill (\$9.9 million after tax), the Company recorded a net loss of \$1.3 million for fiscal 2009. Net earnings in the prior year were \$6.0 million after including a \$4.4 million after-tax expense for claim settlement in the BSE class action lawsuits. The basic and diluted loss per share for fiscal 2009 was \$0.09 net of the after-tax charge of \$0.72 per share for the goodwill impairment. Earnings per share for fiscal 2008 were \$0.43 net of the after-tax charge of \$0.32 per share for the claim settlement in the BSE class action lawsuits.

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares, with no par value. The number of shares outstanding as of June 30, 2009, was 13,789,778 compared to 13,859,300 as of June 30, 2008.

On December 11, 2008, the Company received approval from the Toronto Stock Exchange (the "TSX") to initiate a normal course issuer bid for the Company's shares through the facilities of the TSX. The shares repurchase program permits the Company to purchase for cancellation up to 692,965 common shares of the Company over the following twelve-month period that commenced December 15, 2008. As at June 30, 2009, the Company had repurchased for cancellation 69,522 shares under the normal course issuer bid at an average purchase cost, excluding commissions, of C\$6.62 per share.

In the twelve months ended June 30, 2009, the Company issued no additional common shares and issued no options under the Company's stock option plan. There are no outstanding stock options to purchase common shares as of June 30, 2009.

Cash Flows from Operations

Cash flows from operations were \$9.7 million in fiscal 2009 compared to \$15.8 million in 2008. Cash flows were lower in fiscal 2009 due to reduced operating income and the \$4.9 million settlement payment in the BSE class action lawsuits. Lower inventories and accounts receivable balances at year-end contributed \$23.3 million of cash flow in fiscal 2009 due to lower feed ingredient costs and liquidation of a planned accumulation of raw materials in RFI in the prior year. However, accounts payable balances were also lower, consuming \$24.7 million of cash flow in fiscal 2009, as normal payment terms were maintained with suppliers at the end of the year.

Capital expenditures in 2009 were \$8.6 million compared to \$10.5 million in 2008. Major capital expenditures in fiscal 2009 included \$0.9 million for robotic materials handling equipment at four feed facilities, \$0.9 million of plant upgrades to the Flemingsburg, Kentucky facility acquired last year in the 4 Seasons Marketing acquisition, and \$0.5 million for the expansion of the Mendota, Illinois premix facility. Expenditures on implementation of a new management information system were \$1.1 million in fiscal 2009 and \$3.2 million in fiscal 2008. Approximately \$1.7 million of total capital expenditures in 2009 was invested in profit improvement projects. The remaining \$6.9 million was invested in capital maintaining or statutory mandated projects.

Assets, Liabilities and Shareholders' Equity

Total assets of \$226.2 million as at the 2009 year-end were lower by \$42.5 million from last year. Inventories were lower by \$21.7 million due to lower feed ingredient costs and liquidation of raw materials positions from the prior year. Goodwill was lower by \$12.6 million following the \$11.4 million impairment test of Canadian feed operations in the fourth quarter of fiscal 2009 and the lower Canadian dollar exchange this year. Accounts receivable were lower by \$5.1 million due to lower sales revenues and the lower Canadian dollar exchange rate. Property, plant and equipment were lower by \$5.5 million

MANAGEMENT'S DISCUSSION AND ANALYSIS

due to the lower Canadian dollar exchange rate and the write-down of \$1.4 million following the closure of the Selma North Carolina facility.

Total debt including bank obligations and capital leases at the end of fiscal 2009 decreased to \$10.6 million from \$19.5 million last year. The reduction in debt resulted from net repayments of \$5.9 million and the effect of the lower value of the Canadian currency on translation of debt sourced from Canadian bank facilities. The ratio of debt to equity at the end of fiscal 2009 was 7.1% compared to 12.7% at the same time last year.

Shareholders' equity decreased by \$4.5 million to \$149.0 million at the end of fiscal 2009 due to the following items: the net loss after taxes of \$1.3 million, a \$2.9 million comprehensive loss from currency translation of financial statements of Canadian operations, and the disbursement of \$0.4 million in the normal course issuer bid to repurchase Ridley Inc. shares.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The Company reports its financial results according to Canadian GAAP. However, the Company has included in its management discussion and analysis certain non-GAAP financial measures and ratios that the Company's management believes provide useful information in measuring the financial performance and financial condition of the Company. These measures and ratios do not have a standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable to similar measures presented by other public companies, nor should they be construed as an alternative to other financial measures described by Canadian GAAP.

Operating income is defined as net earnings before finance costs, interest income, provision for income taxes and net earnings from discontinued operations. Earnings before interest, taxes and amortization (EBITA) is defined as operating income before amortization, gain on sale of facilities, asset impairment loss, goodwill impairment loss, claim settlement and restructuring charges.

The following is a reconciliation of earnings before interest, taxes and amortization, a non-GAAP measure, to net earnings, its most closely comparable GAAP measure:

	2009 (\$000)	2008 (\$000)	2007 (\$000)
Net earnings (loss)	(1,281)	5,992	8,985
Net earnings from discontinued operations	-	-	(736)
Provision for income taxes	515	7,703	5,037
Interest income	(448)	(694)	(749)
Finance costs	2,108	2,516	1,977
Operating income	894	15,517	14,514
Amortization of property, plant and equipment	8,263	8,131	8,447
Other amortization	174	115	368
Gain on sale of facilities	(593)	(1,559)	-
Asset impairment loss	1,620	1,254	3,130
Claim settlement	-	6,000	-
Restructuring expenses	2,090	1,449	-
Goodwill impairment	11,375	-	-
Earnings before interest, taxes and amortization (EBITA)	23,823	30,907	26,459

The following table summarizes operating results and key balance sheet information for fiscal 2008-09.

BUSINESS SEGMENT FINANCIAL RESULTS (IN US\$000)

	Ridley Feed Operations (\$000)	Ridley Feed Ingredients (\$000)	Ridley Nutrition Solutions (\$000)	Corporate and Eliminations (\$000)	Ridley Inc. Consolidated (\$000)
2009					
Revenue					
Revenue from unaffiliated customers	453,721	70,852	78,840	-	603,413
Intersegment revenues	6,228	52,883	33,892	(93,003)	-
Revenue	459,949	123,735	112,732	(93,003)	603,413
Cost of sales	413,362	111,932	88,244	(93,003)	520,535
Gross profit	46,587	11,803	24,488	-	82,878
	10.1%	9.5%	21.7%	-	13.7%
Operating (income) expenses					
Selling, general and administrative	40,219	2,778	12,622	4,578	60,197
Amortization property, plant & equipment	5,939	310	2,003	11	8,263
Gain on sale of facilities	(593)	-	-	-	(593)
Research and development	363	-	585	-	948
Other amortization	-	-	174	-	174
Asset impairment loss	1,407	-	213	-	1,620
Goodwill impairment	11,375	-	-	-	11,375
Net operating expenses	58,710	3,088	15,597	4,589	81,984
Operating income (loss)	(12,123)	8,715	8,891	(4,589)	894

	Ridley Feed Operations (\$000)	Ridley Feed Ingredients (\$000)	Ridley Nutrition Solutions (\$000)	Corporate and Eliminations (\$000)	Ridley Inc. Consolidated (\$000)
2008					
Revenue					
Revenue from unaffiliated customers	503,011	62,906	67,540	-	633,457
Intersegment revenues	5,721	49,902	34,767	(90,390)	-
Revenue	508,732	112,808	102,307	(90,390)	633,457
Cost of sales	446,591	101,964	80,353	(90,390)	538,518
Gross profit	62,141	10,844	21,954	-	94,939
	12.2%	9.6%	21.5%	-	15.0%
Operating (income) expenses					
Selling, general and administrative	42,658	2,938	12,555	6,179	64,330
Amortization property, plant & equipment	5,918	298	1,914	1	8,131
Gain on sale of facilities	(1,559)	-	-	-	(1,559)
Research and development	524	-	627	-	1,151
Other amortization	-	-	115	-	115
Asset impairment loss	712	-	542	-	1,254
Claim settlement	-	-	-	6,000	6,000
Net operating expenses	48,253	3,236	15,753	12,180	79,422
Operating income (loss)	13,888	7,608	6,201	(12,180)	15,517

“Operating income” as described above does not have a standardized meaning prescribed by Canadian GAAP, therefore, it is unlikely to be comparable to similar measures presented by other companies.

	Ridley Feed Operations	Ridley Feed Ingredients	Ridley Nutrition Solutions	Corporate and Eliminations	Ridley Inc. Consolidated
June 30, 2009	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Total assets	129,679	23,878	67,357	5,303	226,217
Property, plant and equipment	61,086	3,350	24,151	17	88,604
Goodwill	12,293	4,327	21,362	-	37,982
Other intangibles	-	-	4,379	-	4,379
Expenditures - property, plant & equipment	4,411	785	2,327	1,089	8,612

	Ridley Feed Operations	Ridley Feed Ingredients	Ridley Nutrition Solutions	Corporate and Eliminations	Ridley Inc. Consolidated
June 30, 2008	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Total assets	162,299	31,417	67,786	7,165	268,667
Property, plant and equipment	67,400	2,864	23,833	3	94,100
Goodwill	24,906	4,327	21,362	-	50,595
Other intangibles	-	-	4,553	-	4,553
Expenditures - property, plant & equipment	5,716	131	1,479	3,195	10,521

SEGMENT RESULTS

Ridley Feed Operations

The Ridley Feed Operations (RFO) segment consists of full-line production facilities operating in the United States and Canada, producing and marketing products for the core animal nutrition market. RFO's reported results in 2009 encompass 10 full-line plants in Canada and 21 full-line plants in the United States. RFO plants derive most of their business by manufacturing and marketing a broad range of complete feeds, supplements and premixes to meat, milk and egg producers, and owners of equine and companion animals located mostly in the Midwest region of the United States and Prairie Provinces of Canada.

Approximately 65% of the Division's volume is derived from U.S. feed operations while the remainder is derived from Canadian operations. Volumes of commercially manufactured complete feeds are expected to continue to decline over the long term as a greater number of large livestock and poultry producers achieve the economies of scale enabling integration of their own feed production into their animal production operations. However, demand for higher margin products, such as supplements and premixes, is expected to continue to increase.

For the twelve months of fiscal 2009, the RFO segment recorded an operating loss of \$12.1 million compared with income of \$13.9 million in the prior year. The loss was due to a goodwill impairment of \$11.4 million in Canadian feed operations combined with a \$15.6 million shortfall in gross profits from the prior year due to lower sales tonnage volume in a market substantially affected by low or negative earnings of livestock and poultry producers. Operating expenses in RFO also included an asset impairment loss of \$1.4 million resulting from the closure of the Selma, North Carolina, feed plant partly offset by a gain of \$0.6 million on the sale of feed stores in Lacombe and Rimbey, Alberta. Excluding the goodwill impairment, asset impairment loss and gain on sale of facilities, RFO operating income in fiscal 2009 would have been \$0.1 million.

The goodwill impairment followed from an impairment test of goodwill associated with previous business acquisitions in Canadian feed operations. The Company's test for impairment was based on an estimated value of the Canadian operating assets of RFO using a discounted cash flow model that is dependent upon assumptions regarding future economic conditions and long-term projections of sales volumes, profit

margins and operating costs. In the fourth quarter of fiscal 2009, management's projection of future sales volumes of Canadian feed operations was lowered due to the effects of competitive pressures and the continuing difficulties that beef and pork producers are experiencing in Western Canada. As a result, the methodology indicated a valuation that was less than the carrying value of Canadian assets and goodwill. The write-down of \$11.4 million eliminates all of the goodwill attributed to Canadian operations on the Company's balance sheet at the end of fiscal 2009. The remaining balance of \$38.0 million in goodwill at the end of fiscal 2009 relates entirely to U.S. businesses.

For the twelve months of fiscal 2009, RFO volumes were lower by 13.7% compared to last year. The downturn in RFO volumes is reflective of continuing difficult economic conditions for livestock and poultry producers in both Canada and the United States. Canadian feed operations reported a 10.1% reduction in volumes for the year, while the U.S. operations of RFO recorded a 15.7% reduction in volumes. RFO's core, traditional markets of swine, beef, dairy, and poultry producers have been adversely affected by poor producer margins because of low farm-gate prices and high cost of inputs including feed and fuel, which have prompted reductions in livestock herds and poultry flocks and reduced demand for commercial feed.

RFO sales revenues, including inter-segment sales, decreased by \$48.8 million, or 9.6%, from \$508.7 million in 2008 to \$459.9 million in 2009. Approximately \$20.3 million of the reduction in revenue in 2009 is attributable to the decreased value of the Canadian currency in fiscal 2009. Lower tonnage volumes accounted for the remaining decline in revenues. Average unit selling prices increased by 8.4% and 12.7% in U.S. and Canadian feed operations respectively due to increased feed ingredient costs and a continuing shift in the product mix from complete feeds to higher value added supplements and premixes.

RFO gross profits of \$46.6 million were 25.0% lower than the prior year. Approximately half of the \$15.6 million decline in gross profit for the year was due to a 15.2% reduction in unit margins while the remainder followed from the 13.7% reduction in volumes. Canadian feed operations of RFO accounted for about 44% of the reduction in gross profit while U.S. feed operations accounted for the remaining 56%. About \$1.4 million of reduced gross profit in fiscal 2009 was due to the lower value of the Canadian currency in fiscal 2009. As a percentage of revenue, gross profit was 10.1% in 2009 compared with 12.2% in 2008 and 14.0% in 2007, a reflection of average unit selling prices that have risen faster from higher feed ingredient costs throughout the last three years than profit margins, which are generally fixed per unit of volume.

RFO gross profits are net of variable production costs and manufacturing overhead. In fiscal 2009, these manufacturing costs were lower by \$3.1 million because of lower volumes and the effect of cost reduction initiatives on wages, salaries, travel and other discretionary spending.

Operating expenses include selling, general and administrative expenses, amortization of plant and equipment, and research and development as well as certain unusual items as explained below. RFO operating expenses in 2009 of \$58.7 million included a goodwill impairment of \$11.4 million, an asset impairment loss of \$1.4 million on the closure of a feed plant in North Carolina, a gain of \$0.6 million on the sale of redundant properties in Alberta, and restructuring charges of \$2.1 million. Excluding these unusual items, RFO operating expenses in 2009 would have been \$44.4 million. In the prior year, RFO operating expenses were \$48.3 million which included an asset impairment charge of \$0.7 million on the closure of a feed plant in Alberta, a net gain of \$1.6 million on the sale of redundant facilities in Manitoba and Alberta and restructuring charges of \$0.7 million. Excluding these unusual items, RFO operating expenses in 2008 would have been \$48.4 million.

Ridley Feed Ingredients

The Ridley Feed Ingredients (RFI) segment consists of vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients produced and distributed through RFI's facility in Mendota, Illinois. RFI accounts for about 11% of Ridley's revenues to unaffiliated customers and about 11% of total assets.

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RFI revenues in fiscal 2009 were \$123.7 million including \$52.9 million in sales of feed ingredients and premixes to other segments within Ridley Inc. The increase in revenues of \$10.9 million or 9.7% over last year was the result of higher unit selling prices driven by higher ingredient costs. RFI gross profit increased to \$11.8 million in fiscal 2009 from \$10.8 million in the prior year due to a favourable product mix, inventory gains and good production cost controls. Gross profit margin as a percentage of revenue this year was 9.5% compared to 9.6% last year.

RFI operating expenses of \$3.1 million in fiscal 2009 were consistent with the prior year. As a result, RFI operating income in fiscal 2009 increased to \$8.7 million from \$7.6 million in the prior year.

RFI initiated a capital project late in fiscal 2009 to expand its Mendota production facility and provide the necessary distribution capacity to support long-term growth. Two warehouses on property adjacent to the existing Mendota facility were acquired and construction has started on an addition to the existing warehouse, which will be completed before spring of 2010. These projects will add 44,000 square feet of additional warehouse space to the Mendota facility and will improve materials flow and provide additional space for RFI's small-pack supplement business. The total cost of these capital projects when completed will be approximately \$1.4 million.

Ridley Nutrition Solutions

The Ridley Nutrition Solutions (RNS) segment produces a range of block supplements including low moisture, pressed, compressed, composite and poured blocks in seven plants located in Minnesota, South Dakota, Alabama, Texas, Kentucky and California. The RNS equine nutrition business consists of dedicated equine feed production facilities located in Pennsylvania and Kentucky.

In March 2008, the RNS segment acquired the feed supplement block manufacturing business of 4 Seasons Marketing, LLC and its affiliate, Ultralyx, Inc., located in Flemingsburg, Kentucky. The acquisition expanded RNS's block product lines into a new category featuring the use of ethanol co-products, and enabled the consolidation of production with an older block plant at Syracuse, Indiana. The Syracuse facility was closed in April 2008.

For the twelve months of fiscal 2009, RNS volumes were lower by 8.9% compared to last year. The downturn in RNS volumes is reflective of continuing difficult economic conditions for beef cattle and dairy producers. Volatile ingredient prices and the uncertain economic outlook for producers have caused dealer and distributor channels to keep tighter control on inventory levels while producers defer feed block purchases until greater income certainty returns to the market. Sales tonnage of equine feeds grew by 11.3% in fiscal 2009 as progress continues in developing regional markets for McCauley brand feeds.

RNS revenues, including sales to other Ridley segments, increased by \$10.4 million or 10.2% to \$112.7 million in 2008 from \$102.3 million in 2008. Lower tonnage volume was offset by higher unit selling prices driven by higher ingredient costs, a shift in the product mix to higher value added products, and the contribution of the Ultralyx acquisition. RNS gross profit increased to \$24.5 million in fiscal 2009 from \$22.0 million in the prior year due to a favourable product mix, good production cost controls, the contribution of the Ultralyx acquisition and improved margins in the equine business unit. RNS gross profit margin as a percentage of revenue this year was 21.7% compared to 21.5% last year.

Total RNS operating expenses decreased to \$15.6 million in 2009 from \$15.8 million in 2008. Operating expenses last year included a \$0.5 million asset impairment expense for closure of the redundant plant in Syracuse, Indiana. An additional \$0.2 million asset impairment charge was recorded in fiscal 2009 against the Syracuse facility, which continues to be held for sale.

Operating income for the RNS segment was \$8.9 million in 2009 compared to \$6.2 million in the year before. The increase in income by 43.4% was the result of the 11.5% increase in gross profit and good control of operating costs. While tonnage volume was lower in 2009 because of the unfavourable economic conditions for beef and dairy producers, unit margins improved with a more favourable product

mix. The acquisition of Ultralyx in late in fiscal 2008 and improved income performance of the equine business unit in 2009 also contributed to the growth in RNS operating income.

Corporate Costs

Corporate expenses for the full year of fiscal 2009 were \$4.6 million compared to \$12.2 million in fiscal 2008. Included in corporate costs was \$0.9 million in each of fiscal 2009 and fiscal 2008 for legal and financial advisory expenses incurred in connection with the strategic review process initiated by the Company in the fourth quarter of fiscal 2008.

Corporate costs in the prior year also included \$6.0 million of claim settlement expense in the BSE class action lawsuits. Legal advisory services related to the BSE lawsuits were \$0.3 million in 2009 compared to \$1.0 million last year. With completion of the settlement agreement with the plaintiffs and dismissal of Ridley from the Ontario action, advisory expenses related to the BSE class action lawsuits after fiscal 2009 are expected to be minimal.

Excluding the BSE litigation expenses, claim settlement and the strategic review process, corporate expenses in fiscal 2009 would have been \$3.4 million compared to \$4.2 million in fiscal 2008.

SELECTED ANNUAL INFORMATION

	2009	2008	2007
Revenue (\$000)	603,413	633,457	531,588
Operating income (\$000)	894	15,517	14,514
Net earnings from continuing operations (\$000)	(1,281)	5,992	8,249
Net earnings from continuing operations – per share			
Basic and fully diluted	\$(0.09)	\$0.43	\$0.60
Net earnings (\$000)	(1,281)	5,992	8,985
Net earnings – per share			
Basic and fully diluted	\$(0.09)	\$0.43	\$0.65
Total assets (\$000)	226,217	268,667	241,067
Total debt (\$000)	10,606	19,455	24,963
Cash dividends declared – per share	\$0.00	\$0.00	\$0.00

The following factors affect the comparability of the data in the above three-year summary of financial data:

2009

Decreased total revenue in fiscal 2009 was due to a 12.7% overall decline in feed tonnage volume, mostly concentrated in the RFO Division, which reported a \$48.1 million decrease in revenues from the prior year. A 12.9% decline in Canadian currency exchange rates accounted for \$20.3 million of the decrease in revenue. Lower gross profits in 2009 was due to 13.7% decline in RFO tonnage volumes and an 8.4% decline in RFO average unit profit margin, which reflected a poor economic environment for livestock and poultry producers. The operating loss in 2009 is net of the following unusual items: goodwill impairment of \$11.4 million, gain on sale of assets of \$0.6 million, asset impairment loss on closure of plants of \$1.6 million, and other restructuring charges of \$2.1 million. Acquisition of the block business of 4 Seasons Marketing, LLC late in fiscal 2008 followed by closure of the Syracuse, Indiana plant in 2009 contributed approximately \$1.2 million to RNS operating income in 2009. Inventories at year-end were lower due to generally lower feed ingredient costs and the liquidation of a planned accumulation of key raw materials at the end of the prior year. Lower accounts receivable reflect reduced revenues and the lower Canadian exchange rate. Shareholders' equity is lower by \$4.5 million due to the net loss after taxes of \$1.3 million, unrealized losses on currency translation of financial statements of \$2.9 million and repurchase of outstanding shares of \$0.4 million.

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2008

The growth in total revenue in fiscal 2008 was due to an overall increase in revenue per ton of more than 21%, the result of increased commodity prices, while tonnage volumes were lower by 1.7%. Changes in currency exchange rates accounted for approximately \$16 million of the increase in revenue in 2008. Acquisition of the block business of 4 Seasons Marketing, LLC and its affiliate, Ultralyx, Inc resulted in a \$3.1 million increase in revenues, mainly in the fourth quarter of fiscal 2008. Operating income in fiscal 2008 reflects the following unusual items: gain on sale of assets of \$1.6 million; asset impairment loss on closure of plants of \$1.3 million; and other restructuring charges of \$1.4 million. The comparability of operating income in 2008 was also affected by the closure in the previous year of a feed production plant in Alberta and the loss of contribution from a Canadian business unit that lost key sales personnel to a competitor in the prior year. Lower net earnings in 2008 reflect the expense of a \$6 million (\$4.4 million after tax) settlement in the BSE class action lawsuits. The increase in total assets of \$27.6 million in 2008 is the result of substantially higher costs for raw materials that have driven up inventory and accounts receivable balances. Fixed assets were reduced by \$3.4 million following the closure of facilities in Canada and the U.S.

2007

The growth in total revenue in fiscal 2007 was due to an overall increase in revenue per ton of more than 8%, the result of increased commodity prices, while tonnage volumes were lower by 3%. Operating income was lower due to a \$3.1 million asset impairment loss on the closure of a Canadian manufacturing plant as well as a decline in the economic environment for livestock production in Canada and the loss of sales personnel from a Canadian business unit. Lower net earnings for the year were partly offset by \$0.7 million in earnings from discontinued operations, specifically a gain related to the cumulative foreign currency translation adjustment resulting from the liquidation of a holding company structure in the United Kingdom. The increase in total assets reflects a \$10.4 million increase in working capital, largely the effect of increased commodity prices on inventories, partly offset by a \$3.0 million reduction in property, plant and equipment net of amortization and the closure of a Canadian manufacturing facility. Total debt increased by \$1.7 million over the 12-month period as cash flow was reduced by lower earnings and an increase in working capital balances combined with a \$1.6 million increase in expenditures on plant and equipment compared to the prior year.

SUMMARY OF QUARTERLY RESULTS

	30-Jun-09	31-Mar-09	31-Dec-08	30-Sep-08	Fiscal 2009
2009	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue (Net of inter-segment sales)					
Ridley Feed Operations	99,888	104,453	120,805	128,575	453,721
Ridley Feed Ingredients	16,613	15,687	18,318	20,234	70,852
Ridley Nutrition Solutions	13,303	20,603	24,439	20,495	78,840
Total revenue	129,804	140,743	163,562	169,304	603,413
Operating income					
Ridley Feed Operations	(12,464)	1,137	(1,724)	929	(12,122)
Ridley Feed Ingredients	1,401	2,431	1,965	2,918	8,715
Ridley Nutrition Solutions	83	2,748	2,827	3,232	8,890
Corporate	(737)	(682)	(1,312)	(1,858)	(4,589)
Total operating income	11,717	5,634	1,756	5,221	894
Net earnings (loss)	(8,360)	3,474	671	2,934	(1,281)
Earnings (loss) per share					
Basic and fully diluted	(0.60)	0.25	0.05	0.21	(0.09)

	30-Jun-08	31-Mar-08	31-Dec-07	30-Sep-07	Fiscal 2008
2008	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue (Net of inter-segment sales)					
Ridley Feed Operations	127,080	132,032	132,659	111,240	503,011
Ridley Feed Ingredients	18,209	16,467	15,471	12,759	62,906
Ridley Nutrition Solutions	14,077	18,812	18,840	15,811	67,540
Total revenue	159,366	167,311	166,970	139,810	633,457
Operating income					
Ridley Feed Operations	3,190	4,746	2,438	3,514	13,888
Ridley Feed Ingredients	2,203	2,272	1,832	1,301	7,608
Ridley Nutrition Solutions	(796)	2,933	2,830	1,234	6,201
Corporate	(2,440)	(1,220)	(7,306)	(1,214)	(12,180)
Total operating income	2,157	8,731	(206)	4,835	15,517
Net earnings (loss)	1,196	5,040	(2,838)	2,594	5,992
Earnings (loss) per share					
Basic and fully diluted	0.08	0.37	(0.21)	0.19	0.43

FOURTH QUARTER RESULTS

Consolidated revenue for the fourth quarter of fiscal 2009 decreased by 18.5% to \$129.8 million compared with \$159.4 million in the fourth quarter of 2008. Generally, a comparison of revenue on a dollar basis is not necessarily indicative of the strength of Ridley's business because revenue can be influenced by fluctuating commodity prices. The revenue decline in the fourth quarter of 2009 was substantially due to lower volumes as measured in tons of feed products sold and lower raw material prices.

In the fourth quarter of fiscal 2009, total sales tonnage volumes were 17.6% lower than the prior year period. While all divisions of the Company saw volume declines in the fourth quarter, most of the overall decline in volume was concentrated in the Ridley Feed Operations Division (RFO), particularly in U.S. operations. Softer demand for livestock and poultry feed continues to reflect the ongoing market uncertainty, lower farm gate prices to livestock and poultry producers, relatively high feed ingredient prices and declines in the size of cattle and swine herds and poultry flocks. About \$5.0 million of the total revenue decrease of \$29.6 million in the fourth quarter is attributable to the decline in the Canadian dollar exchange rate relative to the U.S. dollar over last year.

Consolidated gross profit in the fourth quarter of fiscal 2009 was \$15.9 million compared to \$21.4 million in the same period of fiscal 2008. As in each of the prior periods of this financial year, the decrease in gross profits was concentrated in RFO, the result of an 18% decline in tonnage volumes. RFI gross profit in the fourth quarter was also lower due to a 10% reduction in tonnage volumes from last year. RNS gross profits were higher in the fourth quarter as improved unit margins and operating efficiencies offset lower volumes.

Operating expenses include selling, general and administrative expenses, amortization of property, plant and equipment, asset impairments and goodwill impairment. Including the goodwill impairment of \$11.4 million, operating expenses in the fourth quarter were \$27.6 million. Excluding the goodwill impairment, operating expenses in the fourth quarter were \$16.2 million compared to \$19.3 million last year. Operating costs last year included legal and advisory expenses related to the strategic review process and business restructuring expenses in Canadian operations. Selling and administration expenses were lower in fourth quarter this year due to cost reduction initiatives that have reduced salary and wage expenses.

Due to the goodwill impairment charge, the Company recorded an operating loss before interest and taxes

MANAGEMENT'S DISCUSSION AND ANALYSIS

of \$11.7 million in the fourth quarter of fiscal 2009 compared to income of \$2.2 million in the same period last year. Interest expense was \$0.1 million compared to \$0.4 million in the previous year. The Company is gradually reducing the balance in loans receivable to customers

Income tax benefits of \$3.4 million were recorded in the fourth quarter of fiscal 2009 compared to an income tax expense of \$0.6 recorded in the same period last year. Income tax benefits would have been greater except the goodwill impairment recorded in the fourth quarter of fiscal 2009 includes \$5.8 million that is not recognized for tax purposes. This has a \$1.8 million unfavourable impact on income tax provisions. For income tax purposes, the tax basis of assets and liabilities associated with the Company's Canadian entities were reset upon the change in control of the majority shareholder in fiscal 2009. The corresponding increase in the tax basis of assets allows for larger tax depreciation deductions in future years, but creates taxable income in the current year. Offsetting the increase in taxable income is the utilization of capital loss and non-capital loss carryforward positions in which the Company had recorded valuation reserves. The recovery of these valuation reserves results in a \$1.9 million favourable impact on income tax provisions in the fourth quarter.

The Company recorded a net loss after taxes of \$8.4 million for the fourth quarter of fiscal 2009. The after-tax impact of the goodwill impairment was \$9.9 million. Net earnings in the fourth quarter of the prior year were \$1.2 million. Diluted loss per share for the fourth quarter this year was \$0.60 including \$0.72 per share for goodwill impairment. Diluted earnings per share for the same period last year was \$0.08.

Ridley's EBITA is comprised of operating income before amortization and unusual items, which include gain on sale of facilities, asset impairment loss, restructuring charges, claim settlement expense and goodwill impairment. EBITA in the fourth quarter of fiscal 2009 fell to \$1.7 million from \$3.9 million in the prior year.

Comprehensive income (or loss) is the change in Ridley's net assets that result from transactions, events and circumstances from sources other than investments by and/or distributions to Ridley's shareholders. Other comprehensive income (OCI) is comprised entirely of unrealized gains and losses on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency. Ridley recorded a comprehensive loss in the fourth quarter of fiscal 2009 of \$6.3 million comprised of a net loss of \$8.4 million as reported above, partly offset by \$2.1 million of unrealized gains on translation to U.S. currency of financial statements of related entities with foreign functional currency. In the fourth quarter of the prior year, Ridley recorded a gain of \$0.2 million on the translation to U.S. currency. Other changes in accounting policies noted in Ridley's interim financial statements had no material effect on its financial condition.

LIQUIDITY

Ridley's consolidated balance sheet at June 30, 2009, together with comparative final 2008 and 2007 figures, is summarized as follows:

	Balances as of June 30		
	2009	2008	2007
	(\$000)	(\$000)	(\$000)
Current assets	86,195	115,602	88,982
Current liabilities	38,695	67,459	47,110
Working capital	47,500	48,143	41,872
Property, plant & equipment	88,604	94,100	93,113
Goodwill & other intangibles	42,361	55,148	53,918
Other non-current assets	9,057	3,817	5,054
Long-lived assets	140,022	153,065	152,085
Long-term portion of debt	10,190	18,466	21,203
Future tax liability	24,427	24,715	22,959
Other long-term liabilities	3,892	4,524	3,932
Long-term liabilities	38,509	47,705	48,094
Equity	149,013	153,503	145,863

The debt to equity relationship as of June 30, 2007 through 2009 is summarized below:

	2009	2008	2007
	(\$000)	(\$000)	(\$000)
Debt defined as bank obligations and capital leases	10,606	19,455	24,963
Equity	149,013	153,503	145,863
Debt to equity	7.1%	12.7%	17.1%

The change in cash balances, including discontinued operations for the twelve months ending June 30 for the following fiscal years, is summarized below:

	2009	2008	2007
	(\$000)	(\$000)	(\$000)
Provided from operations before working capital requirements	17,716	20,744	18,000
Used for working capital requirements	(7,982)	(4,929)	(12,173)
Provided from operations	9,734	15,815	5,827
Net utilized for investing activities	(6,859)	(5,964)	(7,446)
Net from (utilized for) financing activities	(6,707)	(8,374)	994
Effect of exchange rate changes on cash	238	(10)	(8)
Increase (decrease) in cash balances	(3,594)	1,467	(633)

The Company has consistently generated cash from operations over the past three years, allowing for significant debt repayments. The Company generated sufficient cash from operations in fiscal 2009 to make net payments of \$5.9 million against bank debt and complete the settlement agreement in the BSE class action lawsuits by payment of \$4.9 million to the plaintiffs' trust fund. The debt to equity ratio as at June 30, 2008 was 7.1%, compared to 12.7% at the year-end of fiscal 2008.

During fiscal 2009, capital expenditures of \$8.6 million were \$1.9 million lower than the previous year when capital expenditures were \$10.5 million. Major capital expenditures in 2009 included \$0.7 million in plant automation systems, \$0.8 million in additional spending on a new management information system and \$0.9 million in other profit improvement projects. Capital expenditures were higher last year

mainly due to spending of \$2.9 million on a new management information system. The sale of redundant facilities in Alberta provided cash of \$1.3 million in fiscal 2009.

Working capital, as reported below, is defined as current assets, excluding future income tax benefits, less current liabilities, excluding the current portion of long-term debt. Working capital as of June 30, 2007 through 2009 is summarized below:

	2009 (\$000)	2008 (\$000)	2007 (\$000)
Current assets, excluding future income tax benefits	84,650	112,668	87,359
Current liabilities, excluding current debt	38,279	66,470	43,350
Working capital, excluding current debt and future income tax benefits ("Working capital")	46,371	46,198	44,009

Working capital reflects the Company's position in maintaining operating activities. The level of working capital to support the activities of the business normally remains relatively flat. Although working capital of \$46.4 million at the end of fiscal 2009 was consistent with last year's balance of \$46.2 million, the components of working capital changed significantly in that period. In the prior year, 2008, inventories and accounts receivable surged higher due to the effect of increased raw materials costs and the impact of the high level of the Canadian dollar exchange rate. Accounts payable increased last year for similar reasons. Those factors were reversed in 2009 as raw material costs declined and the Canadian dollar exchange rate declined. The Company had also acquired long positions in certain key ingredients in fiscal 2008 that were liquidated in fiscal 2009. Working capital was also reduced in 2009 on payment of the \$4.9 million claim settlement to plaintiffs in the BSE class action lawsuits.

CAPITAL MANAGEMENT

The Company's objectives in managing capital are to maintain sufficient liquidity for pursuit of its strategy of organic growth combined with strategic acquisitions and to deploy capital where it will provide an appropriate return on investment to the Company's shareholders.

The Company includes funded debt (short-term and long-term debt) and shareholders' equity in the management of capital. The Board of Directors has established quantitative return on equity criteria for management. The Company's strategy during the reporting period was to maintain its ability to secure access to financing at a reasonable cost.

The Company's approach to capital management changed during fiscal 2009. Prior to November 20, 2008, the Company's credit facilities were subordinate to its former parent company, Ridley Corporation Limited ("Ridley Australia"), which bound the Company's capital management objectives to those of Ridley Australia. On November 4, 2009, Ridley Australia completed the sale of its controlling interest in the Company to Fairfax Financial Holdings Limited. As a consequence, the Company terminated its participation in a credit facility with Ridley Australia and entered into a new credit facilities agreement with the Bank of Nova Scotia on November 20, 2008. As the new credit facilities are not bound to any third party, the Company is able to develop its own objectives and strategies for capital management.

The credit facilities agreement with The Bank of Nova Scotia provides a revolving term facility of up to C\$30,000,000 available in Bankers Acceptances based advances or U.S. dollar equivalent as London Inter-Bank Offer Rate (LIBOR) based advances and a revolving term facility of up to US\$20,000,000 available in LIBOR based advances. All facilities are secured by a first-ranking general security agreement covering all of the Company's property. The agreement includes covenants specifying maximum funded debt, minimum interest coverage and minimum tangible net worth. Interest rates are based on Bankers Acceptances rates plus a margin or LIBOR rates plus a margin. The Company also pays a standby fee. Margins and fees are based on the funded debt ratio. The Company's unsecured open lines

of credit and other loans are unaffected by the new credit agreement. The credit agreement retains the existing C\$5,000,000 secured overdraft line of credit, payable on demand. The agreement has a term expiring on October 31, 2011.

There are restrictions on the level of capital available and covenant requirements as defined in the Company's credit facility agreements. The Company monitors capital on the basis of:

- Funded debt to EBITA (earnings before interest income, finance costs, income taxes, amortization and any transactions not expected to occur regularly);
- Interest coverage ratio; and
- Tangible net worth.

The ratio of funded debt to EBITA is calculated as funded debt over the rolling twelve-month EBITA. A ratio of less than 2.50 is to be maintained; as of June 30, 2009 the ratio was 0.45. The interest coverage ratio is calculated as operating income (adjusted for transactions not expected to occur regularly) over finance costs. A ratio of greater than 2.75 is to be maintained; as of June 30, 2009, this ratio was 8.04. A level of tangible net worth greater than \$75 million is to be maintained; as of June 30, 2009 this level was \$101.7 million.

Credit Facility Covenants	Covenant Requirements	Actual as at June 30, 2009
Funded Debt to EBITA	Less than 2.50	0.45
Interest Coverage Ratio	Greater than 2.75	8.04
Tangible Net Worth (\$ millions)	Greater than 75.0	101.7

CAPITAL EXPENDITURES

Capital asset expenditures during fiscal 2009 year were \$8.6 million compared with \$10.5 million in 2008. Major capital expenditures in 2009 included robotic materials handling systems at three facilities, new equipment and general plant upgrading of the Flemingsburg, Kentucky facility acquired last year, continuing implementation of a new management information system initiated last year and the purchase of a warehouse in Mendota, IL. The level of capital spending in fiscal 2009 on maintenance of the Company's production capacity was approximately \$6.9 million.

Ridley expects to spend approximately \$7.0 million during fiscal 2010 to support ongoing operations and another \$2.4 million for projects that support the strategic plan. The Company expects to fund all capital projects during fiscal 2010 from operating cash flows.

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's obligations to make future payment on long-term debt, lease obligations and other obligations at June 30, 2009, as well as expected timing of the payments.

	Payments Due By Period						
	Total (\$000)	Year 1 (\$000)	Year 2 (\$000)	Year 3 (\$000)	Year 4 (\$000)	Year 5 (\$000)	After (\$000)
Short-term debt	364	364	-	-	-	-	-
Long term debt	10,242	52	54	9,651	59	60	366
Operating leases	3,521	1,116	645	354	219	191	996
Purchase obligations	17,646	17,646	-	-	-	-	-
Other long term obligations	625	150	27	50	124	47	227
Total contractual obligations	32,398	19,328	726	10,055	402	298	1,589

RISK MANAGEMENT

The Company's businesses are subject to a number of risk factors including commodity prices, interest rate and foreign currency volatility, customer credit performance, weather conditions, environmental regulations, animal disease, litigation and the loss of facilities and inventories from fire and other perils. The Company mitigates these risks through a variety of methods. The Executive Management Committee, which is comprised of the senior officers of the Company, establishes and reviews strategic and operational plans and policies, and considers key business issues and makes determinations on their future direction. The Committee identifies and assesses potential risks in operations and the external environment, takes corrective actions, and encourages a more proactive approach in the Company's manufacturing facilities to making risk management a high priority.

Environment

Ridley has a comprehensive program to oversee environmental, crisis management and health and safety matters. Management has concluded that, based on existing information and applicable laws and regulations, the amounts expended or anticipated to be expended by the Company on these matters, other than as specifically provided for, are not likely to be material to Ridley's operations or financial condition. Management is not aware of any instance of non-compliance with environmental laws and regulations that is not already being responsibly addressed.

Raw Material Prices

Commodity grains and protein meals constitute a significant component of the Company's complete feed production. Complete feed is sold either through spot orders or, to a lesser extent, through longer-term, fixed-price sales contracts. In order to meet short-term production requirements, the Company maintains inventories of grains and protein meals to meet production requirements.

The Company generally has access to feed ingredient supplies from a broad number of domestic and foreign suppliers. However, certain key raw materials used by the Company, such as vitamins, are available only from a small number of foreign-based sources that may be vulnerable to interruption of production or trade. The Company relies upon its market information, supplier relationships, and volume purchasing strength to mitigate the risk of interruption to supply of key raw materials.

The grains and protein meals market is such that the Company is subject to a risk of movement in price between the time that grains and protein meals are purchased and the time they are sold as part of a feed product. The Company is subject to a risk of movement in price between the time that the commodities are sold as part of a feed product through long-term supply contracts and the time they are purchased to fulfill the contract.

The Company mitigates its exposure to commodity price risk, to the extent practicable, through several methods, including: inventory management; the use of long-term purchase contracts; back-to-back buying

and selling; and, to a lesser extent, hedging on regulated futures and options markets. However, the degree to which the Company remains at risk at any time due to unhedged positions poses no material risk to the Company's earnings.

Seasonality and Weather Conditions

The beef cattle feed segment of the Company's business is seasonal, with a higher percentage of feed sold and earnings generated during the second and third fiscal quarters. This seasonality is driven largely by weather conditions. If the weather is particularly cold during the winter, sales of feed for cattle may increase as compared with normal seasonal patterns because cattle are unable to graze under those conditions and have high-energy requirements. If the weather is relatively warm during the winter, sales of feed for cattle may decrease as compared with normal seasonal patterns because cattle are better able to graze under those conditions. Other product lines are affected only marginally by seasonal conditions.

The Company manages the risk associated with abnormal weather patterns by marketing a diversified product line which, besides beef cattle feed, includes feed for other livestock (dairy cattle, hogs, poultry, horses, sheep, etc.). It also manages this risk by geographically distributing its operations and, hence, the market for its products. As a result, regional variations in weather affect only a portion of the Company's earnings at any one time.

Livestock Industry Risks

The Company's principal markets are livestock producers including farmers of beef and dairy cattle, hogs, poultry, equine, and other animal species including some exotic species. The Company is subject to risks associated with the outbreak of disease in livestock and poultry, which may include, but is not limited to, foot-and-mouth disease, transmissible spongiform encephalopathy diseases ("mad-cow" disease) and avian influenza. The outbreak (or public fear of an outbreak) of a livestock or poultry disease on a large scale could adversely affect demand for the Company's feed products, which could adversely affect the Company's revenues and operating results.

Relatively open trade between Canada and the United States in the hog and beef cattle sectors has created an industry supply chain structure that transcends the shared border and functions as an integrated North American industry. As a consequence, the hog and beef cattle sectors may be vulnerable to exchange rate fluctuations, tariff and non-tariff barriers to trade and protectionist actions by national governments.

Interest Rates

The Company finances a portion of its business using long-term variable rate credit facilities, which exposes the Company to some risk of loss due to interest rate movement.

The Company has implemented a strategy to hedge interest rates on a significant portion of the total bank debt outstanding at any time. This strategy may utilize several hedging instruments, but primarily involves the use of interest rate swaps.

Credit

The Company is subject to potential credit risk in the event of non-performance by its customers. This risk is minimized by a number of factors. The Company deals with a large customer base, consisting of both individuals and corporations, with no single customer representing more than 2% of the Company's total gross sales. The Company's customer base is geographically dispersed and comprised of livestock producers representing several different livestock species. This tends to minimize the risk posed to the Company by economic downturns that originate from specific animal species or regional market factors.

In line with feed industry practice, the Company has entered into certain loans and collateral agreements with third parties to facilitate growth and strengthen long-term relationships with key customers. Loans are established within strict Company policy, which typically requires secured collateral from the customer and appropriate signed contractual documentation, which is reviewed by legal counsel. Generally, the acquired security is subordinate to a primary commercial lender. The Company's exposure to these types of loans and collateral agreements has been reduced in recent years.

Insurance

The Company has significant investments in manufacturing and distribution facilities and inventory and is subject to the risk of loss or impairment of earnings due to the partial or complete destruction of one or more of these facilities.

The Company manages this risk in several ways. First, the Company's facilities are geographically distributed across the continental United States and Canada. The risk of multiple facilities being lost because of a single peril is thus minimized. Second, regular inspections of the Company's facilities are conducted by both management and representatives of the Company's insurance carrier, in order to minimize potential safety hazards. Finally, the Company maintains insurance coverage sufficient to cover any foreseeable material loss.

Foreign Exchange

The Company's Canadian entities are considered to be self-sustaining and use the Canadian dollar as their functional currency. These entities enter into some purchase contracts and sales contracts denominated in U.S. dollars. The Company manages the risk associated with holding U.S. currency by monitoring its net position and entering into forward exchange contracts when warranted for material net positions. The Company at times maintains inter-company loans between U.S. and Canadian entities. In these situations, forward exchange contracts are utilized to hedge fluctuations in foreign currency translation rates.

The Company's U.S. operations have no material transactions denominated in currencies other than U.S. dollars. Consequently, no hedging tools are employed in the U.S.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent liabilities. Although the Company reviews its estimates on an ongoing basis, actual results may differ from these estimates as confirming events occur. The following components of the financial statements depend most heavily on such estimates and judgments, any change to which may have a material impact on the Company's results of operations or financial condition.

Valuation of Goodwill and Long-Lived Assets

Goodwill is not amortized but is subject to a fair value impairment test performed at least annually or more frequently if events or circumstances indicate the carrying amount exceeds its fair value. Testing for impairment is accomplished by determining whether a reporting unit's fair value exceeds its net carrying amount as of the assessment date. A reporting unit is a component of a segment in which discrete financial information is available and the segment management regularly reviews the operating results of the component. A discounted cash flow model is used to estimate the fair value of a reporting unit. This model requires the use of long-term projections and assumptions regarding industry specific economic conditions that are outside the control of the Company. If the fair value is greater than the carrying amount, no impairment is necessary. Should the carrying amount exceed fair value, an impairment loss would be recognized at that time. While the Company believes its estimates are reasonable, there can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. Potential impairment is indicated by such factors as business and market trends, future prospects, current market values, and other economic factors. The determination of an impairment loss requires significant judgments based on projections of future asset performance. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value and is recognized as an expense in the period of impairment. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Income Taxes

Future income tax assets and liabilities are recognized for future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using the substantively enacted income tax rates expected to apply when the asset is realized or the liability is settled. When necessary, a valuation allowance is recorded to reduce future income tax assets to an estimated realizable amount that more likely than not will be realized.

The calculation of current and future income taxes requires the Company to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying values of assets and liabilities. Current and future income tax assets and liabilities are also impacted by projected operating results, timing of reversals of temporary differences and possible audits by regulatory agencies. Changes or differences in these estimates may result in changes to the current and future income tax assets and liabilities on the consolidated balance sheet and a charge or benefit to earnings.

The Company regularly assesses its ability to realize net future income tax assets associated with net operating loss carry-forwards and has concluded they will more likely than not be fully utilized prior to expiry. In making its assessment, the Company considered historical and projected future earnings. If the Company's projected future earnings do not materialize to the extent required to permit full realizations of these net operating loss carry-forwards, then appropriate valuation allowances will be made, thus reducing earnings.

Pension and Other Post-Retirement Benefits

Accounting for defined benefit pensions and other post-retirement benefits requires the use of actuarial assumptions. The principal assumptions include the discount rate, expected return on plan assets, rate of compensation increase, and health care cost trends. These assumptions depend on underlying factors such as economic conditions, government regulations, investment performance, employee demographics and mortality rates. These assumptions could change in the future and may result in material changes to the pension and employee benefit plan expenses. Changes in financial market returns and interest rates may result in changes to the funding requirements of the Company's defined benefit pension plans.

In fiscal 2008, the Company closed its U.S. salaried employees' defined benefit pension to new participants. An enhanced defined contribution plan has been made available to new U.S. employees and current participants of the defined benefit plan who opt out in favour of the defined contribution plan.

CHANGES IN ACCOUNTING STANDARDS

The Company has adopted the following Canadian Institute of Chartered Accountants (CICA) guidelines effective for the commencement of its 2009 fiscal year:

Inventories

On July 1, 2008, the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Section 3031 - Inventories. This standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs recognized in the period. The adoption of this standard resulted in an immaterial increase in the opening inventory balance. As a result, the Company has recorded the entire adjustment in the current period earnings.

General Standards of Financial Statement Presentation

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400 - General Standards of Financial Statement Presentation, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company adopted the new standard on July 1, 2008. The adoption of this section did not impact these consolidated financial statements.

The Company will adopt the following CICA guidelines in future years:**Goodwill and intangible assets**

CICA Handbook Section 3064, Goodwill and Intangibles, will be effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. Management anticipates that there will be no significant impact of adopting this policy.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued Handbook Section 1582 - Business Combinations, which replaces Section 1581 - Business Combinations, and Sections 1601 - Consolidated Financial Statements and 1602 - Non-Controlling Interests, which together replace Section 1600 - Consolidated Financial Statements effective January 1, 2011. Under Section 1582, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of exchange. Furthermore, virtually all acquisition costs will be expensed which currently are capitalized as part of the purchase price.

Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings for each period until settled. Currently, only the contingent liabilities that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill will be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from assets in the purchase price allocation. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) requires all public companies to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal period. The impact of the adoption of IFRS on the consolidated financial statements of the Company may be significant and, as such, the Company has begun developing its convergence plan to transition its financial statement reporting, presentation and disclosure for IFRS to meet its first quarter fiscal 2012 deadline. The Company continues to evaluate the potential impact of IFRS on its consolidated financial statements. The process will be on going as new standards and recommendations are issued by the International Accounting Standards Board and AcSB.

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the Corporation's disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and the CFO have designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of the Corporation's internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework.

LITIGATION/CONTINGENCY

In April 2005, representative plaintiffs filed proposed class actions in Alberta, Saskatchewan, Ontario and Quebec against the Government of Canada and Ridley Inc. to include all Canadian cattle farmers who allegedly suffered damages as a result of international bans on trade in Canadian beef and cattle following the May 2003 diagnosis of Bovine Spongiform Encephalopathy (BSE) in a cow in Alberta. On February 5, 2008, Ridley announced that it had reached a settlement agreement with the representative plaintiffs in each of the class action lawsuits.

Under the settlement agreement, Ridley agreed to pay C\$6.0 million into a plaintiffs' settlement trust fund for the benefit of the plaintiffs in continuation of their litigation against the Government of Canada. In agreeing to the settlement, Ridley made no admission of liability or wrongdoing in the matter. As a condition of the settlement, Ridley agreed to remain in the class action lawsuit to defend any claims against it for contribution and indemnity or any claim to apportion liability against Ridley. The plaintiffs also agreed to consent to the dismissal of the action against Ridley after the remaining parties (the Government of Canada or any subsequent party added to the action) judicially bind themselves not to make crossclaims, third party claims or to seek to apportion any negligence or liability against Ridley. The settlement agreement was finalized on January 30, 2009 when Ridley made payment of C\$6.0 million into the plaintiffs' trust fund, which effectively capped Ridley's exposure to the claims made by the plaintiffs to that amount.

On May 26, 2009, based on the plaintiffs' amended pleadings, the Government of Canada gave its undertaking to the Ontario court to not commence crossclaims or third party claims against Ridley for contribution or indemnity and to not apportion any negligence or liability against Ridley with respect to the losses claimed in the actions. On that basis, the Ontario Superior Court granted Ridley's motion for dismissal of the Ontario action as against Ridley on July 28, 2009. Ridley will seek to obtain a similar court order in each of the other provinces of Canada where the plaintiffs commenced their actions. If all jurisdictions grant the dismissal motion, Ridley will cease to be a party to the continuing class action lawsuits.

ACQUISITIONS

On March 10, 2008 the Company acquired substantially all of the assets and assumed the outstanding debt of 4 Seasons Marketing, LLC and its affiliate, Ultralyx, Inc., a manufacturer of feed supplement blocks operating a single plant in Flemingsburg, Kentucky. Consideration for the acquisition included cash payment of \$1.1 million, assumption of \$1.9 million in loans and \$0.4 million in deferred payments. Transaction costs for the acquisition were \$0.3 million. This operation is recorded under the Ridley Nutrition Solutions segment.

STRATEGIC REVIEW PROCESS

In fiscal 2008, the Company undertook a strategic review process following from Ridley Corporation Limited ("Ridley Australia"), the Company's 68.8% controlling shareholder, advising the Company of its desire to sell its investment in the Company subject to receiving satisfactory offers. As a result, the Company initiated a process to explore potential sale alternatives for Ridley Australia and other shareholders. The Company retained CIBC World Markets Inc. as its financial advisor and Davies Ward Phillips & Vineberg LLP as its legal advisor in connection with this process.

On September 24, 2008, the Company announced that it had been advised that Ridley Australia had agreed to sell its interest in the Company to Fairfax Financial Holdings Limited for a purchase price of C\$8.50 per share. The sale was completed on November 4, 2008. The agreement between Ridley Australia and Fairfax was a private sale agreement to which the Company was not a party. No offer was made to Ridley shareholders generally. The sale of Ridley Australia's shareholding completed the Company's strategic review process.

OUTLOOK

The world's population is projected to reach 7.7 billion by 2020, a 1.1 billion increase from 2007. Increasing affluence accompanying economic growth in countries like India and China is resulting in increased demand for animal protein-based food production. As these fundamentals shift, greater quantities of feed will be required to support increased animal production. Increased feed production, combined with a focus on research and development to improve yields and efficiencies, will be essential to meet this growing demand. Much of the world's population will rely upon trade with countries like Canada and the U.S. to make up shortfalls in domestic food production. The North American feed market, with volume estimated at over 200 million metric tons, will continue to be the largest and one of the most attractive in the world.

The external drivers of Ridley's commercial feed business are strongly influenced by the economic dynamics of the North American livestock and poultry production industry. Excluding the Canadian quota controlled dairy and poultry sectors, North American livestock and poultry producers have struggled with profit margins below breakeven because of extraordinarily high feed costs in 2008 followed by lower farm gate prices in 2009. The severe global recession has led to a general contraction in consumer demand for meat, milk, and eggs while food exports have been reduced by the higher U.S. dollar.

Producers' poor financial returns are reflected in the continuing reduction in herd and flock sizes across most animal segments in the U.S. and Canada. Feed prices have come down from their peak of a year ago, a positive indicator for producers. However, there is little expectation of a resumption of growth in commercial feed demand until herd and flock liquidation eases the oversupply of livestock and poultry products.

As Ridley anticipates gradual improvement in the external drivers of its business, management will continue to focus on the needs of Ridley's customers, making customer satisfaction a top priority, and helping producers find profitable feeding solutions in a challenging economic environment. Maintaining a balanced presence amongst each of the sectors of livestock and poultry production will remain important for diversifying Ridley's earnings across multiple geographies, animal species and product categories. Management will also continue to manage Ridley's balance sheet prudently to generate cash flows, preserve debt capacity, and be ready to capitalize on strategic opportunities that fit the Company's criteria.

The current normal course issuer bid to repurchase Ridley shares through the Toronto Stock Exchange will remain in place until December 14, 2009.

FORWARD-LOOKING INFORMATION

This report contains “forward-looking” information. The forward-looking information includes statements concerning the Company’s outlook for the future, as well as other statements of beliefs, plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, contemplated or implied by, such statements. These risks and uncertainties include the ability to make effective acquisitions and successfully integrate newly acquired businesses into existing operations, the availability and prices of raw materials and supplies, livestock disease, product pricing, the competitive environment and related market conditions, operating efficiencies, access to capital, the cost of compliance with environmental and health standards and other regulatory requirements affecting the Company’s business, adverse results from ongoing litigation, and actions of domestic and foreign governments. Other risks are outlined in the Risk Management section above. Unless otherwise required by applicable securities law, the Company disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions readers not to place undue reliance upon forward-looking statements.

OTHER

Additional information relating to Ridley Inc., including the Company’s Annual Information Form (AIF), can be found on SEDAR at www.sedar.com, or on Ridley’s web site at www.ridleyinc.com.

RIDLEY Inc.

2009 CONSOLIDATED FINANCIAL STATEMENTS

(Audited, expressed in U.S. dollars)

Twelve months ended June 30, 2009 and 2008

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MANAGEMENT REPORT

The accompanying consolidated financial statements of Ridley Inc. and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts based on management's estimates and judgments. The financial information presented throughout the annual report is consistent with that contained in the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that assets are safeguarded and that the financial records are accurate and reliable.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Audit Committee is appointed by the Board, and all of its members are independent directors. The Committee meets with management, as well as external auditors, on a regular basis throughout the year to review internal accounting controls, audit results and other financial reporting issues. In addition, the Audit Committee considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors and reviews the consolidated financial statements with management and the external auditors prior to recommending their approval by the Board.

The consolidated financial statements as of June 30, 2009 and 2008 and the years then ended have been audited on behalf of the shareholders by the external auditors, PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

(signed)

S.J. VanRoekel
President & Chief Executive Officer

(signed)

G. Hildebrand
Chief Financial Officer

September 2, 2009

AUDITORS' REPORT**To the Shareholders of Ridley Inc:**

We have audited the consolidated balance sheets of Ridley Inc. as at June 30, 2009 and 2008 and the consolidated statements of earnings (loss) and retained earnings, comprehensive income (loss) and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants
Winnipeg, Canada

September 2, 2009

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of U.S. dollars)

	Year ended June 30	
	2009	2008
ASSETS		
Current assets		
Cash and short-term deposits	1,954	3,510
Accounts receivable	30,697	35,793
Inventories (Note 5)	48,153	69,901
Income taxes recoverable	1,867	468
Prepays and other current assets	721	1,453
Current portion of loans receivable (Note 7)	1,013	1,543
Assets held-for-sale (Note 9)	245	-
Future income tax benefit (Note 20)	1,545	2,934
Total current assets	86,195	115,602
Non-current assets		
Loans receivable, less current portion (Note 7)	603	677
Assets held-for-sale (Note 9)	598	730
Property, plant and equipment (Note 8)	88,604	94,100
Other assets	4,431	2,410
Other intangibles (Note 6)	4,379	4,553
Goodwill (Note 6)	37,982	50,595
Future income tax benefit (Note 20)	3,425	-
Total non-current assets	140,022	153,065
TOTAL ASSETS	226,217	268,667
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities		
Outstanding cheques in excess of bank balances	2,038	-
Short-term debt (Note 10)	364	900
Accounts payable and accrued liabilities	34,525	58,308
Advances from customers	1,716	2,271
Claim settlement provision (Note 19)	-	5,891
Current portion of long-term debt (Note 11)	52	89
Total current liabilities	38,695	67,459
Long-term liabilities		
Long-term debt, less current portion (Note 11)	10,190	18,466
Future income tax liability (Note 20)	24,427	24,715
Other accrued liabilities	3,892	4,524
Total long-term liabilities	38,509	47,705
Total liabilities	77,204	115,164
Shareholders' equity		
Share capital (Note 12)	57,315	57,604
Retained earnings	81,285	82,594
Accumulated other comprehensive income (Note 13)	10,413	13,305
Total shareholders' equity	149,013	153,503
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	226,217	268,667

The accompanying notes constitute an integral part of the consolidated financial statements.

Approved by the Board of Directors

(signed) B. P. Martin, Director

(signed) W. Harden, Director

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND RETAINED EARNINGS

(Expressed in thousands of U.S. dollars)

	Year ended June 30	
	2009	2008
Revenue	603,413	633,457
Cost of sales (Note 5)	520,535	538,518
Gross profit	82,878	94,939
Operating (income) expenses		
Selling, general and administrative	60,197	64,330
Amortization of property, plant and equipment	8,263	8,131
Gain on sale of facilities (Note 16)	(593)	(1,559)
Research and development	948	1,151
Other amortization	174	115
Asset impairment loss (Note 15)	1,620	1,254
Goodwill impairment (Note 6)	11,375	-
Claim settlement (Note 19)	-	6,000
Net operating expenses	81,984	79,422
Operating income (loss)	894	15,517
Finance costs	(2,108)	(2,516)
Interest income	448	694
Earnings (loss) before income taxes	(766)	13,695
Provision for income taxes (Note 20)	515	7,703
Net earnings (loss) for the period	(1,281)	5,992
Retained earnings, beginning of period	82,594	76,602
Net earnings (loss) for the period	(1,281)	5,992
Excess over stated value of shares purchased for cancellation (Note 12)	(28)	-
Retained earnings, end of period	81,285	82,594
Net earnings (loss) per share, basic and diluted	(0.09)	0.43

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in thousands of U.S. dollars)

	Year ended June 30	
	2009	2008
Net earnings (loss)	(1,281)	5,992
Unrealized gains (losses) on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency (Note 13)	(2,892)	1,648
Other comprehensive income (loss)	(2,892)	1,648
Comprehensive income (loss)	(4,173)	7,640

The accompanying notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of U.S. dollars)

	Year ended June 30	
	2009	2008
Cash flow from operating activities		
Net earnings (loss) for the period	(1,281)	5,992
Add (deduct) items not affecting cash:		
Amortization of property, plant and equipment	8,263	8,131
Future income taxes	(2,529)	416
Goodwill impairment loss (Note 6)	11,375	-
Asset impairment loss (Note 15)	1,620	1,254
Claim settlement (Note 19)	-	6,000
Loss on sale of property, plant and equipment	368	176
Gain on sale of facilities (Note 16)	(593)	(1,559)
Other amortization	174	115
Other items not affecting cash	319	219
	17,716	20,744
Net change in non-cash working capital balances related to operations:		
Accounts receivable	3,581	(3,515)
Inventories	19,731	(17,841)
Prepays and other current assets	163	61
Accounts payable and accrued liabilities	(24,679)	18,664
Claim settlement provision (Note 19)	(4,877)	-
Advances from customers	(515)	(845)
Income taxes payable and recoverable	(1,386)	(1,453)
Net cash from operating activities	9,734	15,815
Cash flow from investing activities		
Proceeds on disposal of facilities, property, plant and equipment	1,349	4,369
Purchase of property, plant and equipment	(8,612)	(10,521)
Decrease in loans receivable, net	541	1,437
Business acquisitions (Note 4)	(137)	(1,249)
Net cash utilized for investing activities	(6,859)	(5,964)
Cash flow from financing activities		
Repayment of short- and long-term debt	(45,621)	(41,953)
Proceeds from short- and long-term debt	39,729	33,579
Payment of finance costs	(430)	-
Purchases of share capital for cancellation (Note 12)	(385)	-
Net cash utilized for financing activities	(6,707)	(8,374)
Effect of exchange rate changes on cash	238	(10)
Increase (decrease) in cash and cash equivalents	(3,594)	1,467
Cash and cash equivalents - beginning of period	3,510	2,043
Cash and cash equivalents - end of period	(84)	3,510
Cash and cash equivalents are comprised of:		
Cash and short-term deposits	1,954	3,510
Outstanding cheques in excess of bank balances	(2,038)	-
	(84)	3,510

The accompanying notes constitute an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation

These consolidated financial statements are expressed in U.S. dollars and prepared in accordance with Canadian generally accepted accounting principles (GAAP) which require Ridley Inc. ("the Company") to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and disclosures of contingencies. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ as confirming events occur. All amounts are in U.S. dollars unless otherwise specified.

2. Changes in accounting policies**Current changes****Inventories**

On July 1, 2008, the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Section 3031 - Inventories. This standard provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs recognized in the period. The adoption of this standard resulted in an immaterial increase in the opening inventory balance. As a result, the Company has recorded the entire adjustment in the current period earnings.

Assessing going concerns

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400 - General Standards of Financial Statement Presentation, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Company adopted the new standard on July 1, 2008. The adoption of this section did not impact these consolidated financial statements.

Future changes**Goodwill and intangible assets**

CICA Handbook Section 3064 – Goodwill and Intangibles will be effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. Management anticipates that there will be no significant impact of adopting this policy.

Business combinations

The CICA issued Handbook Section 1582 - Business Combinations which replaces Section 1581 – Business Combinations; and Sections 1601 - Consolidated Financial Statements and 1602 - Non-Controlling Interests together replace Section 1600 – Consolidated Financial Statements effective January 1, 2011. Under Section 1582, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of exchange. Furthermore, virtually all acquisition costs will be expensed which currently are capitalized as part of the purchase price. Contingent liabilities are to be recognized at fair value at the acquisition date and re-measured at fair value through earnings for each period until settled. Currently, only the contingent liabilities

that are resolved and payable are included in the cost to acquire the business. In addition, negative goodwill will be recognized immediately in earnings, unlike the current requirement to eliminate it by deducting it from assets in the purchase price allocation. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination.

International financial reporting standards

The Canadian Accounting Standards Board (AcSB) requires all public companies to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal period. The impact of the adoption of IFRS on the consolidated financial statements of the Company may be significant and, as such, the Company has begun developing its convergence plan to transition its financial statement reporting, presentation and disclosure for IFRS to meet its first quarter fiscal 2012 deadline. The Company continues to evaluate the potential impact of IFRS on its consolidated financial statements. The process will be on going as new standards and recommendations are issued by the International Accounting Standards Board and AcSB.

3. Significant accounting policies

Principles of consolidation

These consolidated financial statements include the assets and liabilities and results of operations of the Company and all controlled entities. The consolidated financial statements do not include purchases and sales made between plants. These intercompany transactions are eliminated when consolidating the financial statements.

Revenue recognition

Revenues from the sale of livestock feed, animal health supplies and farm supplies are recognized upon shipment from the plant or facility; the price is fixed or determinable, and collection is reasonably assured. Customer prepayments are recorded as advances from customers and revenue is not recognized until the shipment of goods occurs.

Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and short-term deposits with maturities up to three months when purchased less outstanding cheques in excess of bank balances and outstanding deposits.

Accounts receivable

Accounts receivable includes trade customer receivables net of allowance for doubtful accounts, and other receivables. The Company makes an allowance to reduce the carrying value of accounts receivable identified as uncollectible to their estimated realizable amount. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance for doubtful accounts based on specifically identified accounts. The Company reviews its allowance for doubtful accounts on a periodic basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Inventories include raw materials and finished goods recorded at the lower of actual cost or net realizable value on a first-in, first-out (FIFO) basis. Significant portions of inventories consist of commodities. Costs include the purchase costs net of supplier allowances, transportation expenses incurred to bring inventories to their present location and an allocation of production costs incurred in

converting raw materials into finished goods. Out bound delivery expense, administrative overheads and selling expenses related to inventories are expensed in the period the costs are incurred. Net realizable value is based on valuing the ingredient component at current commodity prices and deducting costs of realization. Inventories are written down to net realizable value when the cost of inventories is estimated to be greater than the anticipated selling price. Materials held for further use in the production of finished inventory are written down to the extent the material cost and estimated cost to complete exceeds net realizable value. When circumstances that previously required inventories to be written down below cost no longer exist, the amount of the write-down is reversed.

Impaired loans

The Company makes an allowance to reduce the carrying value of loans identified as impaired to their estimated realizable amount. Loans are considered impaired if, in management's view, collection is unlikely. Estimated realizable amounts are determined by estimating the fair value of security underlying the loans and deducting the cost of realization.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Buildings	40 years
Machinery and equipment	10-30 years
Computer equipment	3-5 years
Furniture and fixtures	7-10 years
Trucks, trailers and automobiles	5-10 years
Leasehold improvements	Term of the lease

Amortization is not provided for construction in progress until the assets are ready for use.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value and is recognized in the period of impairment. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Other assets

Other assets consist primarily of deferred pension assets.

Other intangibles

Other intangibles include trademarks, trade names, product certifications, non-compete agreements, patents and technology. Technology represents acquired non-patented technology and license agreements.

Trademarks and trade names are subject to annual impairment tests or when events and circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recorded to the extent the carrying amount of assets exceeds their fair value.

Product certifications, non-compete agreements, patents and technology are amortized on a straight-line basis ranging from five to fifteen years.

Goodwill

Goodwill represents the excess cost of acquisitions over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill is tested for impairment at the reporting unit level on an annual basis or more frequently if events or circumstances indicate that goodwill could be impaired. This impairment testing is a two-step process. Step one compares each reporting unit's fair value to

its carrying value. If the fair value of the reporting unit exceeds the carrying value, step two is not necessary for that reporting unit. Step two requires the allocation of fair values to assets and liabilities as if the reporting unit had just been purchased resulting in an implied fair value of goodwill. If the carrying value of goodwill exceeds the implied fair value, a write down to the implied value is required at that time.

A reporting unit is a component of a segment in which discrete financial information is available and the segment management regularly reviews the operating results of the component. A discounted cash flow model is used to estimate the fair value of a reporting unit. This model requires the use of long-term projections and assumptions regarding industry specific economic conditions that are outside the Company's control.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include trade payables, employee-related obligations, and accrued expenses, all payable in less than one year.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognized for future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using the substantively enacted income tax rates expected to apply when the asset is realized or the liability is settled. The effect of changes in income tax rates is recognized in the period in which the rate change occurs. When necessary, a valuation allowance is recorded to reduce future income tax assets to an estimated realizable amount that more likely than not will be realized.

Comprehensive Income

Comprehensive income is the change in a Company's net assets that result from transactions, events, and circumstances from sources other than investments by and/or distributions to the Company's shareholders. It includes items that would not normally be included in net earnings, such as: a) changes in the cumulative currency translation adjustments account relating to self-sustaining foreign operations, b) unrealized gains or losses on available-for-sale investments, and c) gains or losses on the effective portion of derivatives designated as cash flow hedges.

Foreign currency translations

Monetary assets and liabilities denominated in currencies other than U.S. dollars are translated at exchange rates at the balance sheet date. Revenue and expenses denominated in foreign currencies are translated at rates prevailing at the transaction date. All exchange gains and losses are reflected in income during the period in which they occurred.

The Company's investments in entities with Canadian dollar functional currency are considered to be self-sustaining foreign operations. Accordingly, their accounts are translated into U.S. dollars using the current method whereby assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, and revenues and expenses are translated on the basis of weighted average exchange rates during the period. Exchange gains or losses arising on translation are deferred and included as a component of shareholders' equity included in accumulated other comprehensive income (note 13).

Derivative instruments

The Company manages its exposure to changes in interest rates, ingredient prices, and foreign exchange rates through the use of financial and non-financial derivative instruments. The Company's policy is not to utilize derivative instruments for trading or speculative purposes. Hedge accounting is not applied; therefore, all financial derivative instruments are recorded at fair value in the consolidated balance sheet with changes in fair value recorded in earnings.

Interest rate swap agreements are used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. The Company carries the derivative on the balance sheet at its fair value, and changes in fair value are recorded in interest expense.

The Company enters into derivative commodity instruments such as future contracts, put options and similar instruments which are used to manage the prices on commodities such as corn, soy meal, grains, molasses and other proteins ("ingredients") used in the production of animal feeds. The derivative activity is limited to the volume of commodities used in manufactured products that are supported by a firm sale price commitment. The derivatives associated with ingredients do not meet the definition of derivative financial instruments, and therefore do not qualify for hedge accounting. Accordingly, the commodity instruments are recorded at fair value in the consolidated balance sheet with changes in fair value recorded in cost of sales.

In the normal course of business, the Company enters into various contracts to purchase commodities. These contracts qualify as normal purchases and are exempt from mark-to-market accounting treatment as the Company expects to use or sell the commodities over a reasonable period in its normal course of business. For contracts that qualify as normal purchases, no recognition of the contract's fair value is required until settlement of the contract.

Employee future benefits

The Company maintains both defined benefit and defined contribution pension plans. The Company accrues its obligations for employee pension plans and the related costs, net of plan assets. The cost of pensions is actuarially determined using the projected benefits method calculated based on employee service, salary escalation and retirement age, together with the expected return on plan assets. For calculating the expected return on plan assets, those assets are valued at fair market value. The excess of the net actuarial gain (loss) in excess of 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is 12 years. Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

The Company provides health care benefits for eligible retired employees and their covered dependants until reaching the age of 65 years. The Company accrues for these benefits over the period in which employees provide service to the date of their first eligibility for such benefits. The amount of the obligation is based on actuarial valuations.

Earnings per share

Basic earnings per share are calculated using the daily weighted average number of shares outstanding during the year.

Financial instruments

Financial instruments are designated as held for trading, loans and receivables, other liabilities and available for sale. All financial instruments are measured initially at fair value. Derivate financial instruments are measured at fair value even when they are part of a hedging relationship.

Fair values of assets and liabilities approximate amounts at which they could be exchanged in a transaction between knowledgeable parties. Fair value is based on available public information, or when not available, are estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates at the appropriate credit risk.

Financial assets and liabilities designated as held for trading are subsequently measured at fair value with periodic changes in fair value recognized in net earnings in the period in which it arises.

Financial assets designated as loans and receivables or held to maturity financial liabilities such as other liabilities, are subsequently measured at amortized cost with income or expense recognized in net earnings using the effective interest method.

Transaction costs are incremental costs directly attributable to the acquisition, issuance, or disposal of a financial asset or liability. Transaction costs are expensed as incurred for financial instrument designated as held for trading. For all other financial instruments, these costs are capitalized on initial recognition and measured at amortized cost using the effect interest method.

Changes in interest rates and credit risk are the primary causes of changes in the fair value of the Company's financial instruments.

Use of estimates

The preparation of financial statements in accordance with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent liabilities. Although the Company reviews its estimates on an ongoing basis, actual results may differ from these estimates as confirming events occur.

4. Business acquisitions

There were no business acquisitions in fiscal 2009.

On March 10, 2008, the Company acquired substantially all of the assets and assumed the outstanding debt of 4 Seasons Marketing, LLC ("4 Seasons") and its affiliate, Ultralyx, Inc., for cash consideration of \$1,111,000 and deferred consideration of \$375,000. The deferred consideration is payable at varying amounts over a five-year period. The purchase price was allocated to assets and liabilities based on their estimated fair value at the closing date. The acquired business is a manufacturer and distributor of feed supplement blocks operating a single plant in Flemingsburg, Kentucky. This operation was recorded under the Ridley Nutrition Solutions segment.

This acquisition was accounted for using the purchase method of accounting, and the results of its operation were included in the consolidated financial statements from the date of acquisition. Details of the acquired assets and liabilities are as follows:

	(\$000)
Assets	
Accounts receivable	1,005
Inventories	780
Property, plant and equipment	2,414
Other intangibles	790
	4,989
Liabilities	
Accounts payable and accrued liabilities	1,618
Long-term debt	1,885
	3,503
Net assets acquired	1,486
 Cash consideration	 1,111
Deferred consideration	375
Total consideration	1,486

Other intangibles acquired include non-compete agreements valued at \$225,000 and technology valued at \$565,000 with amortization periods of five years and fifteen years, respectively.

Instalments of \$137,000 per year related to a fiscal 2006 acquisition were paid in fiscal 2009 and 2008.

5. Inventories

	2009 (\$000)	2008 (\$000)
Raw materials	34,700	36,079
Finished goods	13,453	33,822
	48,153	69,901

Cost of sales consists of the following:

	2009 (\$000)	2008 (\$000)
Raw materials and products consumed	434,733	485,537
Direct labour and fringe benefits	20,225	21,181
Other production costs	28,204	30,257
Net change in inventories	19,731	(17,841)
Inventories recognized as expense	502,893	519,134
Non allocated costs	17,642	19,384
Cost of sales	520,535	538,518

6. Goodwill and other intangibles

The following table summarizes changes in carrying amounts of goodwill for the years ended June 30, 2009 and 2008.

	2009 (\$000)	2008 (\$000)
Balance, beginning of year	50,595	50,062
Foreign currency translation	(1,238)	533
Impairment	(11,375)	-
Balance, end of year	37,982	50,595

The Company performs annual testing for impairment of goodwill after its annual budgeting process. In the fourth quarter of fiscal 2009 the Company recognized an impairment loss of \$11,375,000 related to the Canadian feed reporting unit. Livestock producer economics has been aggravated by high prices for feed grains, and a recession in the global economy that weakened demand for meat products. The unusually poor producer economics has led to a significant reduction in cattle and swineherds with the resultant effect of reduced demand for commercial feed products and higher producer credit defaults. The situation in Canada is more severe where producers rely more on world markets and face impediments to export swine into the U.S. Based on this trend, earnings forecast for future years were revised. The estimated fair value of the Canadian feed reporting unit using the expected present value of forecast cash flows is less than its carrying value; accordingly, the Company recorded a write-down of the entire amount of goodwill associated with this reporting.

Other intangibles are all recorded within the Ridley Nutrition Solutions segment. Other intangibles consist of:

	2009		2008	
	Carrying amount	Accumulated amortization	Carrying amount	Accumulated amortization
	(\$000)	(\$000)	(\$000)	(\$000)
Trade names/trademarks	2,850	-	2,850	-
Product certifications	1,200	393	1,200	313
Technology	565	50	565	13
Non-compete agreements	225	60	225	15
Patents and other	98	56	98	44
	4,938	559	4,938	385
Net book value		4,379		4,553

7. Loans receivable

The Company has entered into loans and collateral agreements with specific customers to facilitate growth and strengthen long-term relationships. Loans require secured collateral from the customer and appropriate signed contractual documentation. Generally, the acquired security is subordinate to a primary commercial lender. Certain receivables are converted to loans in order to obtain a security position. Any associated receivable allowance transfers accordingly.

The loans generally bear interest at rates between 3.25% and 8.75% with average terms of two years.

Loans receivable are presented net of allowances for impaired loans. The total loans receivable balance before allowances, as of June 30, 2009, is \$2,180,000 (2008 – \$2,580,000).

The following schedule provides the activity through the allowance for impaired loans during the year:

	2009	2008
	(\$000)	(\$000)
Balance at beginning of year	360	261
Impairment provisions	236	97
Foreign currency translation	(32)	2
Balance at end of year	564	360

8. Property, plant and equipment

	2009		
	Cost (\$000)	Accumulated depreciation (\$000)	Net book value (\$000)
Land	5,143	-	5,143
Buildings	45,292	14,229	31,063
Machinery and equipment	87,323	44,872	42,451
Computer equipment	7,342	2,975	4,367
Furniture and fixtures	1,967	1,390	577
Trucks, trailers and automobiles	6,006	4,503	1,503
Leasehold improvements	1,113	645	468
Construction in progress	3,032	-	3,032
	157,218	68,614	88,604

	2008		
	Cost (\$000)	Accumulated depreciation (\$000)	Net book value (\$000)
Land	5,534	-	5,534
Buildings	48,629	14,074	34,555
Machinery and equipment	88,938	43,700	45,238
Computer equipment	3,621	2,710	911
Furniture and fixtures	2,618	1,946	672
Trucks, trailers and automobiles	6,458	4,837	1,621
Leasehold improvements	1,065	576	489
Construction in progress	5,080	-	5,080
	161,943	67,843	94,100

9. Assets held-for-sale

Assets held-for-sale as of June 30, 2009 consists of land, buildings and equipment of closed production facilities in Syracuse, Indiana, Selma, North Carolina and Lethbridge, Alberta. Impairment losses were recorded on these assets in fiscal 2009 and fiscal 2008 (Note 15) reducing their respective carrying values to fair value. Their total carrying value of \$843,000 approximates fair value as of June 30, 2009. The Lethbridge property is expected to be sold in early fiscal 2010; accordingly, its value of \$245,000 is classified as a current asset.

Assets held-for-sale as of June 30, 2008 consists of land, buildings and equipment of the closed plant in Syracuse, Indiana. The estimated fair value of these assets at June 30, 2008 exceeded their carrying value of \$730,000.

10. Short-term debt

	2009 (\$000)	2008 (\$000)
Unsecured open lines of credit	-	900
Secured overdraft line of credit	364	-
Short-term debt	364	900

Unsecured open lines of credit

The Company has unsecured open lines of credit authorized up to \$4,000,000 (2008 – \$4,000,000). The interest rate is based on the bank's prime rate. The average interest rate, including applicable margin, was 4.97% during fiscal 2009 (2008 – 7.00%). As of June 30, 2009, nil (2008 – \$900,000) was outstanding.

Secured overdraft line of credit

The Company has a secured overdraft line of credit authorized up to C\$5,000,000 (2008 - C\$5,000,000) payable on demand. The interest rate is based on the bank's prime rate plus an applicable margin. The average interest rate, including margin was 5.08% during fiscal 2009 (2008 – 6.25%). As of June 30, 2009, C\$423,000 (2008 – nil) was outstanding.

11. Long-term debt

	2009	2008
	(\$000)	(\$000)
Revolving loan	9,594	17,819
Other debt	648	697
Capital lease obligations	-	39
	10,242	18,555
Less current portion	(52)	(89)
Long-term debt	10,190	18,466

As a result of the change in the Company's majority shareholder, the Company terminated its North American loan facility, which was subordinated and bound to the general loan facility held by its former parent (Note 25). The Company replaced it with a credit facility agreement on November 20, 2008 with The Bank of Nova Scotia that has a term expiring on October 31, 2011. The credit facility agreement provides a revolving term facility up to C\$30,000,000 available in Bankers Acceptances based advances or U.S. dollar equivalent as London Inter-Bank Offer Rate (LIBOR) based advances and a revolving term facility of US\$20,000,000 available in LIBOR based advances. All facilities are collaterally secured by a first-ranking general security agreement covering all of the Company's property. This credit agreement includes covenants specifying maximum funded debt, minimum interest coverage and minimum tangible net worth. Interest rates are based on Bankers Acceptances rates plus a margin or LIBOR rates plus a margin. The Company also pays a standby fee. Margins and fees are based on the funded debt ratio. Interest rates including margin on borrowing from the new facility ranged from 1.5% to 3.5% from November 20, 2008 through June 30, 2009. The credit agreement includes the overdraft line of credit classified as short-term debt (Note 10).

The facility consists of revolving loans with the following limits and amounts outstanding:

	2009		2008	
	Revolving		Revolving	
Currency	Limit	Utilized	Limit	Utilized
	(\$000)	(\$000)	(\$000)	(\$000)
U.S. dollars	20,000	1,000	67,000	8,000
Canadian dollars	30,000	9,991	26,000	10,000

In fiscal 2009, the average effective cost of borrowing including applicable margins was 3.08% (2008 - 5.23%) on Canadian borrowings and 3.63% (2008 – 5.02%) on U.S. borrowings. Interest expense incurred on the facility was \$981,000 (2008 - \$1,764,000).

Other debt

The Company acquired an economic development loan upon acquisition of 4 Seasons (note 4) in fiscal 2008. The interest rate on this loan is 1.0%, but the Company has discounted it at a fair market value rate of 4.53%.

12. Share capital

	2009 (\$000)	2008 (\$000)
Authorized		
Unlimited number of common shares, no par value		
Share capital		
Common stock beginning of period	57,604	57,604
Purchases for cancellation	(289)	-
Common stock end of period	57,315	57,604
	2009	2008
Shares outstanding		
Common stock beginning of period	13,859,300	13,859,300
Purchases for cancellation	(69,522)	-
Common stock end of period	13,789,778	13,859,300

On December 11, 2008 the Company received approval from the Toronto Stock Exchange to initiate a normal course issuer bid ("Bid"). The Bid permits the Company to purchase for cancellation up to 692,965 common shares of the Company. This represents 5% of the Company's issued and outstanding shares as at November 28, 2008. Daily purchases were limited to 3,645 common shares until March 31, 2009 and thereafter 1,822 common shares, other than block purchases. The Bid terminates on December 14, 2009 or earlier date as the Company may complete its purchases or otherwise terminate the Bid. The Company will pay market price at the time any shares are acquired under the Bid.

Fairfax Financial Holdings Limited held 72.5% of Ridley Inc.'s common shares as of June 30, 2009 and Ridley Corporation Limited held 68.8% as of June 30, 2008.

Weighted average basic and diluted shares outstanding were 13,845,355 as of June 30, 2009 and 13,859,300 as of June 30, 2008.

13. Accumulated other comprehensive income (loss)

	2009 (\$000)	2008 (\$000)
Balance, beginning of period	13,305	11,657
Other comprehensive income (loss)	(2,892)	1,648
Balance, end of period	10,413	13,305

The accumulated balance of other comprehensive income is comprised entirely of the unrealized gain on translation of financial statements of related entities with foreign functional currency to U.S. dollar reporting currency.

14. Pensions and post-retirement benefits

The Company has non-contributory defined benefit pension plans covering substantially all of its U.S. employees. Benefits for salaried employees are based on years of service and the employees' level of compensation during specified periods of employment. The plan covering hourly employees generally provides benefits of stated amounts for each year of service. The Company's funding policy is consistent with statutory regulations and equals the amount deducted for income tax purposes. Prior service costs are amortized over the average future service period of active plan participants. Plan assets include equity and fixed-income securities.

In fiscal 2008, the Company closed its U.S. defined benefit pension for non-union employees to new participants. An enhanced defined contribution plan was made available to new U.S. employees and current participants of the defined benefit plan who opt out in favour of the defined contribution plan. Employees who opted out maintain their vested pension benefit, but earn no additional benefits.

The Company provides post-retirement health care benefits (other benefits) for U.S. employees. These benefits are supplemental to statutory (Medicare) provided health care costs. The Company sponsors a fully insured Medicare supplement program. The fully insured product requires the retirees to pay the full cost of the insurance. Post-retirement life insurance benefits are provided for a limited period. The components of these expenses are not shown separately as they are not material. The costs of post-retirement health care and life insurance benefits are determined under the per capita claims cost method. Under this method, the Company's obligations are fully accrued by the date the employees attain full eligibility for such benefits. The measurement date of this obligation is June 30 of each year. The Company's funding policy is to pay covered benefits as they are incurred; these plans are unfunded.

The Company has measured its accrued benefit obligations and fair value of plan assets for accounting purposes as of June 30, 2009 (2008 - April 30, 2008). Prior to fiscal 2009, the Company maintained measurement dates of assets and obligations as of April 30 that coincided with the benefit plans fiscal year ends. As a result, the net periodic pension cost (NPPC) is determined for the fourteen month period from May 1, 2008 to June 30, 2009. The NPPC expense reported for fiscal 2009 of \$1,068,000 includes \$151,000 that can be allocated to the two-month period May 1, 2008 to June 30, 2008.

The Company's funding policy with regard to the non-contributory defined benefit pension plans is to contribute to each plan an amount equal to or in excess of the annual Minimum Funding Requirements as determined by an Enrolled Actuary (Gallagher Benefit Services, Inc.) and in accordance with Section 412 of the Internal Revenue Code. The Company exceeded this requirement for the most recent plan year ending June 30, 2009.

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The change in the financial status of the pension plans and other post-retirement obligations and amounts recognized in the consolidated financial statements as of June 30, 2009 and 2008 are as follows:

	Pension		Other benefits	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Accrued benefit obligation				
Balance, beginning of year	23,765	24,078	2,545	2,436
Current service cost	1,326	1,413	190	203
Interest cost	1,874	1,441	142	117
Amendments	8	21	-	-
Curtailment	-	(78)	-	-
Actuarial (gain) loss	2,342	(2,508)	(270)	(158)
Benefits paid	(847)	(602)	(103)	(53)
Balance, end of year	28,468	23,765	2,504	2,545
Plan assets				
Fair value, beginning of year	20,883	20,570	-	-
Actual return on plan assets	(787)	250	-	-
Employer contributions	3,241	665	103	53
Benefits paid	(847)	(602)	(103)	(53)
Fair value, end of year	22,490	20,883	-	-
Fund status - all plans in deficit	(5,978)	(2,882)	(2,504)	(2,545)
Unamortized net actuarial loss	9,400	4,041	1,501	1,822
Unamortized prior service cost	595	685	(2,438)	(2,901)
Deferred benefit asset (liability)	4,017	1,844	(3,441)	(3,624)
	Pension		Other benefits	
	2009	2008	2009	2008
	(\$000)	(\$000)	(\$000)	(\$000)
Other assets	4,130	1,954	-	-
Other accrued liabilities	(113)	(110)	(3,441)	(3,624)
Deferred benefit asset (liability)	4,017	1,844	(3,441)	(3,624)

The Company's pension plan expense is as follows:

	2009 (\$000)	2008 (\$000)
Annual benefit plan expense:		
Current period service cost	1,326	1,413
Interest cost	1,874	1,441
Actual loss (return) on plan assets	787	(250)
Plan amendments	8	21
Actuarial losses (gains)	2,342	(2,508)
Plan benefit cost before adjustments to recognize long-term nature of plan benefit cost	6,337	117
Adjustments to recognize the long-term nature of plan benefit costs:		
Difference between expected and actual return on plan assets	(4,384)	(1,461)
Difference between amortization of prior service costs for year and actual plan amendment for year	90	(63)
Difference between amortization of deferred losses and actual actuarial loss on accrued benefit obligation	(975)	2,787
Plan benefit expense recognized in the period	1,068	1,380

The Company's post-retirement plan expense is as follows:

	2009 (\$000)	2008 (\$000)
Annual benefit plan expense:		
Current period service cost	190	203
Interest cost	142	117
Plan amendments	-	-
Actuarial losses	(270)	(158)
Plan benefit cost before adjustments to recognize long-term nature of plan benefit cost	62	162
Adjustments to recognize the long-term nature of plan benefit costs:		
Difference between amortization of prior service costs for year and actual plan amendment for year	(463)	(463)
Difference between amortization of deferred losses and actual actuarial loss on accrued benefit obligation	321	268
Plan benefit income recognized in the period	(80)	(33)

The significant actuarial assumptions used are as follows:

	Pension		Other benefits	
	2009	2008	2009	2008
Accrued benefit obligations as of June 30:				
Discount rate	6.25%	6.75%	6.25%	6.75%
Rate of compensation increase	3.00%	3.00%	-	-
Benefit costs for the years ended June 30:				
Discount rate	6.75%	6.00%	6.75%	6.00%
Rate of compensation increase	3.00%	3.00%	-	-
Assumed health care cost trend rates at June 30:				
Initial health care cost trend	-	-	9.50%	10.00%
Cost trends declines to	-	-	4.50%	4.50%
Year rate reaches ultimate level	-	-	2020	2020

As of June 30, 2009, approximately 60.5% (2008 – 49.9%) of all pension plan assets were invested in equity mutual funds and 39.5% (2008 – 50.1%) in fixed income mutual funds. The pension plan has no direct investments in the Company's or any of its affiliates.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effect on cost components and benefit obligations:

	One percentage point	
	Increase	Decrease
	(\$000)	(\$000)
Medical service cost and interest cost	38	(33)
Accumulated benefit obligation	242	(214)

Defined contribution plans

The Company also provides defined contribution plans for substantially all U.S. and Canadian employees. The Company's expense amounted to \$1,456,000 in 2009 (2008 - \$1,405,000).

15. Asset impairment loss and restructuring costs

In fiscal 2009, operating results of the Ridley Feed Operations segment includes a \$1,407,000 (\$851,000 after tax) asset impairment loss from the closure of a plant in Selma, North Carolina. Current and forecast production volumes were insufficient to maintain long-term profitability at this facility. The plant is classified as assets held-for-sale.

In fiscal 2009, the Ridley Feed Operations segment incurred and paid costs of \$2,090,000 as part of a cost reduction plan. These costs consist of retail store inventory obsolescence of \$231,000 and plant closure expenses of \$107,000 recorded in cost of sales and severance of \$1,752,000 recorded in selling, general and administrative expense.

In fiscal 2009, the Company recorded an asset impairment loss on its Syracuse Indiana property of \$213,000 (\$129,000 after tax). This is in addition to the impairment charge of \$542,000 (\$328,000 after tax) on equipment and buildings in fiscal 2008. The production from this facility was transferred to the newly purchased plant in Flemingsburg, Kentucky (note 4) in fiscal 2008, and deteriorating economic conditions in the Syracuse area resulted in a further reduction in the fair value of this property. The charge is reflected in the results of the Ridley Nutrition Solutions segment. The associated land, buildings and portion of equipment is expected to be sold in the future and is classified as assets held-for-sale.

In fiscal 2008, the Company recorded a \$712,000 (\$491,000 after tax) impairment charge from the closure of a plant in Lethbridge, Alberta. The loss of customers and sales volume at the plant led to the consolidation with another western Canadian plant. This cost is recorded within the Ridley Feed Operations segment. A portion of the associated land and buildings were sold in fiscal 2008 for a gain of \$730,000 (note 16). The remaining assets are classified as assets held-for-sale.

In fiscal 2008, the Ridley Feed Operations segment incurred and paid costs of \$1,449,000 related to restructuring of its Canadian operations in response to lower sales volumes due to difficult market conditions and increased costs in Canada. These costs consist of inventory obsolescence of \$532,000 and severance of \$200,000 recorded in cost of sales, and severance of \$600,000 and other expenses of \$117,000 recorded in selling, general and administrative expense.

16. Gain on sale of facilities

Operating results of the Ridley Feed Operations segment in fiscal 2009 include pre-tax gains of \$549,000 related to the sale of land in Lacombe, Alberta. Net proceeds on this sale were \$865,000. They also include pre-tax gains of \$44,000 from the sale of a retail store in Rimbey, Alberta. Net proceeds on this sale were \$236,000.

Operating results of the Ridley Feed Operations segment in fiscal 2008 include pre-tax gains of \$829,000 related to the sale of a premix facility and a fabrication shop, both of which are located in Winnipeg, Manitoba, as well as \$730,000 from the sale of land and buildings after the closure of a plant in Lethbridge, Alberta. Net proceeds on these sales were \$3,867,000.

17. Financial instruments

The carrying value of the Company's recognized financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, claim settlement provision, advances from customers and short and long-term debt, approximate their fair value due to their current maturities and on variable interest rate basis.

The fair value of loans receivable is not readily determinable as replacement financing is not available in the market place. The fair value of commodity derivatives generally reflects the estimated amounts that the Company would have to pay, or would receive, upon termination of the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. The financial derivative instruments have been mark to market using rates published by the financial institution which is the counter party to these contracts.

The following table presents the carrying amount and the fair value of the Company's financial instruments. Amortized cost is calculated using the effective interest rate method. Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgement.

As of June 30, 2009	Assets (Liabilities)		Financial Instruments Category
	Carrying Value	Fair Value	
Cash and short-term deposits	1,954	1,954	Held for trading
Accounts receivable	30,697	30,697	Loans & receivables
Loans receivable	1,616	1,616	Loans & receivables
Financial derivative instruments included in accounts payable and accrued liabilities	(381)	(381)	Held for trading
Outstanding cheques in excess of bank balance	(2,038)	(2,038)	Other liabilities
Accounts payable and accrued liabilities	(34,525)	(34,525)	Other liabilities
Advances from customers	(1,716)	(1,716)	Other liabilities
Short-term and Long-term debt	(10,606)	(10,606)	Other liabilities
Financial liabilities included in other accrued liabilities	(451)	(451)	Other liabilities

In the year ended June 30, 2009, the Company recorded a charge of \$895,000 (2008 – credit of \$851,000) to cost of goods sold associated with market valuations of derivatives. In the year ended June 30, 2009, the Company recorded a charge of \$218,000 (2008 – \$197,000) to finance costs associated with market valuations of derivatives.

18. Financial risk management

The Company is subject to a number of risk factors including ingredient prices, interest rates, foreign currency translation rates, liquidity, and customer credit performance. The Company manages risk and risk exposures through a combination of insurance, derivative financial instruments, a system of internal and disclosure controls, adherence to approved policies and sound business practices. The Company may use certain derivative financial instruments to manage risks of fluctuation in commodity prices, interest rates and foreign exchange rates. The Company does not purchase any derivative financial instruments for speculative purposes.

The Company's Executive Management Committee, which is comprised of the senior officers of the Company, establishes and reviews strategic and operational plans and policies, considers key business issues and makes determinations on their future direction. The Committee identifies risks, takes corrective actions, and encourages a proactive approach in risk management. In addition, these risks and related controls are reviewed with the Company's Board of Directors.

Ingredient price risk

Ingredient price risk is the risk that the prices of the raw materials used in the manufacturing of animal feeds will fluctuate. A significant component of the Company's complete feed production consists of grain and protein meal (commodities). Complete feed is sold through either spot orders, or to a lesser extent, through longer-term, fixed-price sales contracts. In order to meet short-term production requirements, the Company maintains inventories of commodities to meet production requirements. The Company is subject to this risk during the time that commodities are purchased and the time they are sold as part of a feed product. The Company also manufactures and distributes premixes which consist of significant components of vitamins and trace minerals. Vitamin and trace mineral prices are subject to volatility created by world demand and tight supplies; moreover, they require long lead times for delivery and large minimum order sizes. The Company mitigates its price risk exposure to the extent practicable through several methods, including inventory management, the use of long-term purchase contracts, back-to-back buying and selling and, to a lesser extent, hedging on regulated futures and options markets.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company finances a portion of its business through the use of long-term variable rate credit facilities, thus exposing the Company to some risk of loss as a result of interest rate movement. The Company has implemented a strategy to hedge interest rates on a significant portion of the total bank debt outstanding at any time. This strategy may utilize several hedging instruments, but primarily involves the use of interest rate swaps.

The Company has fixed its variable rate long-term borrowing obligations with the following outstanding interest rate swap agreements.

Notional amount	Interest rate	Term of agreement	Repricing period
C\$10,000,000	2.86%	January 6, 2009 - October 31, 2011	3 months
C\$5,000,000	1.70%	January 6, 2009 - January 18, 2011	3 months

The unrealized loss on these instruments is \$231,000 (2008 - \$197,000). The amount is included in income for the period and a corresponding increase in accrued liabilities.

Regarding the June 30, 2009 long-term debt balances of \$10,242,000 a 1.0 percentage point increase or decrease in floating interest rates would have an immaterial impact on earnings before income taxes due to the effect of interest rates swaps.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value will fluctuate because of changes in foreign exchange rates. The Company operates in Canada and the U.S. and its operations are subject to volatility in foreign currency exchange ("FX") differences between currencies of these countries. The Company's Canadian entities are considered to be self-sustaining and use the Canadian dollar as their functional currency.

The Company's Canadian entities enter into some purchase contracts and sales contracts denominated in U.S. dollars; and to a lesser extent, the Company's U.S. entities enter into some sales contracts in Canadian dollars. The Company manages the risk associated with holding U.S. and Canadian currencies by monitoring its net position and entering into forward exchange contracts when warranted for material net positions. The Company at times maintains inter-company loans between U.S. and Canadian entities. In these situations, forward exchange contracts are utilized to hedge fluctuations in foreign currency translation rates. Any gains or losses realized on FX differences on U.S. dollar denominated transactions are recorded in selling, general and administrative expense.

Translation of Canadian dollar denominated revenues and expenses into U.S. dollars are subject to FX at the time the transaction occurs. When the U.S. dollar changes relative to the Canadian dollar, income reported in U.S. dollars will change. The impact of a strengthening Canadian dollar relative to the U.S. dollar reduces net income in U.S. dollars as the Canadian entities recorded a loss during fiscal 2009. A one-cent strengthening of the FX rate from Canadian dollars to U.S. dollars on the average FX rate during fiscal 2009 would have decreased net income by \$670,000 for the year ending June 30, 2009. Conversely, a one-cent weakening of the FX rate from Canadian dollars to U.S. dollars would have increased net income by \$670,000.

Translation of Canadian dollar denominated financial instruments into U.S. dollars is subject to FX rates at a specific point in time. A one-cent strengthening of the FX rate from Canadian dollars to U.S. dollars on the June 30, 2009 balance of financial instruments would result in a \$103,000 decrease to other comprehensive income and comprehensive income. Conversely, a one-cent weakening of the FX rate from Canadian to U.S. dollars results in \$103,000 increase to other comprehensive income and comprehensive income.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operational requirements and sustaining growth related capital expenditures, and by regularly monitoring actual and forecasted cash flow and debt levels. The Company has a borrowing capacity equivalent to \$45,806,000 under a loan agreement with the Bank of Nova Scotia. The Company is well positioned to fund acquisitions and capital investments through this loan agreement. The Company also has borrowing capability up to \$8,301,000 used in its daily cash management program.

The following table summarizes the Company's financial liabilities with corresponding maturity dates:

	Total	2010	2011	2012	2013	2014
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Outstanding cheques in excess of bank balance	2,038	2,038	-	-	-	-
Accounts payable and accrued liabilities	34,525	34,525	-	-	-	-
Advances from customers	1,716	1,716	-	-	-	-
Short-term debt	364	364	-	-	-	-

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Long-term debt	10,242	52	54	9,651	59	426
Purchase obligations	17,646	17,646	-	-	-	-
Operating leases	3,521	1,116	645	354	219	1,187
Other long-term obligations	625	150	27	50	124	274
Total	70,677	57,607	726	10,055	402	1,887

Credit risk

Credit risk is the potential that customers or counterparty to a financial instrument fail to meet their obligations to the Company. The Company's financial assets exposed to credit risk consist primarily of trade accounts receivable and loans receivable. Trade accounts receivable are primarily short-term receivables from customers that arise in the normal course of business. As discussed in note 7, the Company has entered into certain loans and collateral agreements with customers. Generally, the acquired security is subordinate to a primary commercial lender. The Company's exposure to these types of loans and collateral agreements has been reduced in recent years.

The Company reduces its exposures to credit risk by a number of factors. The Company deals with a large customer base consisting of both individuals and corporations, with no single customer representing more than 2% of the Company's total gross sales. The Company's customer base is geographically dispersed and comprised of livestock producers representing several different livestock species. This tends to minimize the risk posed to the Company by economic downturns that are either species or regionally based. The Company performs regular credit evaluations on all of its customers including regular review of their credit limits and timely collection or follow-up of customer balances. Pursuant to their respective terms, trade accounts receivable and other receivables before allowances for doubtful accounts are aged as follows at June 30, 2009:

	(\$000)
Current	25,491
Under 30 days past due	2,930
30-60 days past due	1,214
61-90 days past due	1,762
Over 90 days past due	707
	32,104

The carrying amount of trade accounts receivable are reduced by the use of an allowance for doubtful accounts. The amount of loss is recognized in the statement of earnings within the selling, general and administrative expenses. When trade receivable balances are considered uncollectible, they are written off against the allowance for doubtful accounts. Any recoveries or previously written off accounts are credited against the selling, general and administrative expenses. Activity in the allowance for doubtful accounts is summarized as follows:

	(\$000)
Balance at beginning of year	1,279
Bad debt expense	833
Accounts written off during year	(622)
Foreign currency translation	(83)
Balance at end of year	1,407

19. Commitments and contingencies

Litigation

In April 2005, representative plaintiffs filed proposed class actions in Alberta, Saskatchewan, Ontario and Quebec against the Government of Canada and Ridley Inc. to include all Canadian cattle farmers who allegedly suffered damages as a result of international bans on trade in Canadian beef and cattle following the May 2003 diagnosis of Bovine Spongiform Encephalopathy (BSE) in a cow in Alberta. On February 5, 2008, Ridley announced that it had reached a settlement agreement with the representative plaintiffs in each of the class action lawsuits.

Under the settlement agreement, Ridley agreed to pay C\$6,000,000 into a plaintiffs' settlement trust fund for the benefit of the plaintiffs in continuation of their litigation against the Government of Canada. In agreeing to the settlement, Ridley made no admission of liability or wrongdoing in the matter. As a condition of the settlement, Ridley agreed to remain in the class action lawsuit to defend any claims against it for contribution and indemnity or any claim to apportion liability against Ridley. The plaintiffs also agreed to consent to the dismissal of the action against Ridley after the remaining parties (the Government of Canada or any subsequent party added to the action) judicially bind themselves not to make crossclaims, third party claims or to seek to apportion any negligence or liability against Ridley. The settlement agreement was finalized on January 30, 2009 when Ridley made payment of C\$6,000,000 into the plaintiffs' trust fund, which effectively capped Ridley's exposure to the claims made by the plaintiffs to that amount.

On May 26, 2009, based on the plaintiffs' amended pleadings, the Government of Canada gave its undertaking to the Ontario court to not commence crossclaims or third party claims against Ridley for contribution or indemnity and to not apportion any negligence or liability against Ridley with respect to the losses claimed in the actions. On that basis, the Ontario Superior Court granted Ridley's motion for dismissal of the Ontario action as against Ridley on July 28, 2009. Ridley will seek to obtain a similar court order in each of the other provinces of Canada where the plaintiffs commenced their actions. If all jurisdictions grant the dismissal motion, Ridley will cease to be a party to the continuing class action lawsuits.

Other legal matters

The Company is subject to various product liability or general claims and legal proceeding covering matters that arise in the ordinary course of business. All such matters are adequately covered by insurance or by accruals, or are without merit, or such kind, or amounts, as would not have a material adverse effect on the financial results of the Company.

Guarantees

The Company has undertaken to guarantee the debts and obligations of a select group of customers or producers with their respective lending institutions (bank). The guarantees typically decline in amount according to the customer's repayment schedule. Failure on the part of the customer to make payment on a specified loan obligates the Company to make restitution to the bank for the amount guaranteed. Generally, the Company obtains a security interest on the customer's farm assets. This security is subordinated to the position held by the customer's bank. At June 30, 2009, the Company had a series of unsecured guarantees of one major U.S. customer, totalling \$2,034,000, with varying expiration dates up to July 2010. The customer is required to purchase animal feed for the livestock maintained in the facilities associated with the guarantees. No liability has been recorded in fiscal 2009 or 2008 regarding these guarantees.

20. Income taxes

The Company's provision for income tax reflects an effective income tax rate that differs from the combined Canadian federal and provincial statutory rate as follows:

	2009 \$000	2008 \$000
Earnings (loss) before income taxes	(766)	13,695
Combined Canadian federal and provincial tax rate	30.9%	32.8%
Income taxes at Canadian statutory rate	(237)	4,492
Income tax effect relating to the following items:		
Tax rate variances of foreign subsidiaries	913	1,597
Effect of future tax rate on current year losses	365	605
Permanent differences on goodwill impairment	1,759	-
Change in valuation reserve on non-capital tax loss carryforwards	(1,440)	1,440
Change in valuation reserve on capital losses	(420)	-
Reduction in income tax rates	-	125
Net recovery of uncertain tax positions	(216)	(298)
Permanent differences and other	23	222
Provision for income taxes	515	7,703
Current	3,044	7,287
Future	(2,529)	416
Total provision for income taxes	515	7,703

A number of factors affect the Company's effective income tax rate in fiscal 2009 and fiscal 2008.

In both years, the Company's U.S. entities generated taxable income that is taxed at a higher rate than the Canadian statutory tax rate, while Canadian entities incurred taxable losses. The income tax benefits associated with the Canadian losses are recorded at rates applicable to the year the losses are expected to be utilized. Future years' rates are lower in comparison to the current year rate; therefore, reducing the amount of income tax benefits recorded.

The goodwill impairment recorded in the fourth quarter of fiscal 2009 includes \$5,830,000 that is not recognized for tax purposes; this had an unfavourable impact on income tax provisions of \$1,759,000.

In fiscal 2009, upon the change in control of Ridley's majority shareholder (Note 25), the Company for income tax purposes was allowed to fair value the assets and liabilities associated with its Canadian entities. The increase in the tax basis of property, plant and equipment allows for larger tax depreciation deductions in future years, but creates taxable income in the current year. The Company offset the increase in taxable income by utilizing existing non-capital loss and capital loss carry forward positions. In prior years, the Company took full valuation reserves on its capital loss carryforward positions, and in fiscal 2008 a \$1,440,000 valuation reserve was taken on non-capital loss carryforward positions; therefore the Company was able to recognize recoveries associated with these valuation reserves. The net favourable impact of these recoveries on the current year income tax provisions is \$1,860,000.

In the normal course of business, the Company may take positions on its tax returns that taxing authorities could possibly challenge. Although the Company believes it has support for positions taken on its tax returns, the Company has recorded a liability of its best estimate of probable loss on certain transactions. The Company recorded net recoveries associated with uncertain tax positions of \$216,000 in fiscal 2009 and \$298,000 in fiscal 2008.

Future income tax assets and liabilities consist of temporary differences between the accounting and tax basis of assets and liabilities as follows:

	2009 (\$000)	2008 (\$000)
Future income tax assets		
Accounts and loans receivable	332	277
Inventories and other current assets	648	421
Accounts payable and accrued liabilities	1,468	3,821
Non-capital losses carried forward	1,955	3,304
	4,403	7,823
Future income tax liabilities		
Property, plant and equipment	(10,983)	(15,794)
Goodwill and other intangibles	(11,276)	(12,049)
Other assets	(1,601)	(1,761)
	(23,860)	(29,604)
Net future income tax liability	(19,457)	(21,781)
Comprised of:		
Current portion - tax benefit	1,545	2,934
Future portion - tax benefit	3,425	-
Future portion - tax liability	(24,427)	(24,715)
	(19,457)	(21,781)

There are \$7,520,000 (2008 - \$12,468,000) of tax loss carry-forwards. The following reflects the amounts and related expiration period.

	Tax Loss (\$000)	Tax Benefit (\$000)
Year of expiry		
2027	1,247	324
2029	6,273	1,631
	7,520	1,955

21. Statement of cash flow disclosures

The following amounts were paid on account of interest and taxes:

	2009 (\$000)	2008 (\$000)
Interest	1,586	2,248
Income taxes, net of refund	4,324	8,727

22. Capital management

The Company's objective in managing capital is to strive to maintain sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders.

The Company includes funded debt (short-term and long-term debt) and shareholders' equity in the management of capital. The Board of Directors has established quantitative return on equity criteria

for management. The Company's strategy during the period was to maintain its ability to secure access to financing at a reasonable cost.

There are restrictions to the level of capital available and covenants requirements as defined in the Company's credit facility agreements. The Company monitors capital on the basis of funded debt to EBITA (earnings before: interest income, finance costs, income taxes, amortization and any transactions not expected to occur regularly), interest coverage ratio, and tangible net worth. Funded debt to EBITA is calculated as funded debt over the rolling twelve month EBITA. A ratio of under 2.5 is to be maintained, as of June 30, 2009, the ratio was .45. Interest coverage ratio is operating income adjusted for transactions not expected to occur regularly over finance costs. A ratio of over 2.75 is to be maintained, as of June 30, 2009, this ratio was 8.04. A tangible net worth level of over \$75 million is to be maintained as of June 30, 2009 this level was \$102 million.

The Company's approach to capital management changed during fiscal 2009. Prior to November 20, 2008, the Company's credit facilities were subordinate to its parent company (Note 25). This bound the Company's capital management objectives to that of its parent company. The change in ownership and subsequent obtaining a new credit facility, which is not bound to any third party, provided the Company the opportunity to develop its own objectives and strategies.

23. Segment information

The Company's operations are conducted in four reportable segments as: Ridley Feed Operations, Ridley Feed Ingredients, Ridley Nutrition Solutions, and Corporate. The Company reports information about its operating segments based on the way management organizes and reports the segments within the organization for making operating decisions and evaluating performance.

Ridley Feed Operations, which consists of both the U.S. and Canadian feed operations, manufactures and distributes livestock feed products to customers primarily in the prairie region of Canada and the U.S. Midwest. The products include a full range of complete feeds and supplements that are marketed through a dealership network as well as directly to livestock producers.

Ridley Feed Ingredients manufactures and distributes vitamin and trace mineral premixes, small packaged specialty products, medicated and non-medicated feed additives and micro feed ingredients.

Ridley Nutrition Solutions includes the feed supplement block operations and equine nutrition business. It produces a range of block supplements including low moisture, pressed, compressed, composite and poured blocks. The equine nutrition business operates dedicated equine feed production facilities.

Corporate contains no substantial revenue and is comprised of corporate costs and other activities not specific to reportable segments and is shown separately.

The Company evaluates performance based on operating income. Operating income is defined as earnings before interest expense, interest income, and income taxes.

An analysis of segment information is as follows:

	Ridley Feed Operations (\$000)	Ridley Feed Ingredients (\$000)	Ridley Nutrition Solutions (\$000)	Corporate and Eliminations (\$000)	Ridley Inc. Consolidated (\$000)
2009					
Revenue					
Revenue from unaffiliated customers	453,721	70,852	78,840	-	603,413
Intersegment revenues	6,228	52,883	33,892	(93,003)	-
Revenue	459,949	123,735	112,732	(93,003)	603,413
Cost of sales	413,362	111,932	88,244	(93,003)	520,535
Gross profit	46,587	11,803	24,488	-	82,878
	10.1%	9.5%	21.7%	-	13.7%
Operating (income) expenses					
Selling, general and administrative	40,219	2,778	12,622	4,578	60,197
Amortization property, plant & equipment	5,939	310	2,003	11	8,263
Gain on sale of facilities	(593)	-	-	-	(593)
Research and development	363	-	585	-	948
Other amortization	-	-	174	-	174
Asset impairment loss	1,407	-	213	-	1,620
Goodwill impairment	11,375	-	-	-	11,375
Net operating expenses	58,710	3,088	15,598	4,589	81,984
Operating income (loss)	(12,123)	8,715	8,891	(4,589)	894
	Ridley Feed Operations (\$000)	Ridley Feed Ingredients (\$000)	Ridley Nutrition Solutions (\$000)	Corporate and Eliminations (\$000)	Ridley Inc. Consolidated (\$000)
2008					
Revenue					
Revenue from unaffiliated customers	503,011	62,906	67,540	-	633,457
Intersegment revenues	5,721	49,902	34,767	(90,390)	-
Revenue	508,732	112,808	102,307	(90,390)	633,457
Cost of sales	446,591	101,964	80,353	(90,390)	538,518
Gross profit	62,141	10,844	21,954	-	94,939
	12.2%	9.6%	21.5%	-	15.0%
Operating (income) expenses					
Selling, general and administrative	42,658	2,938	12,555	6,179	64,330
Amortization property, plant & equipment	5,918	298	1,914	1	8,131
Gain on sale of facilities	(1,559)	-	-	-	(1,559)
Research and development	524	-	627	-	1,151
Other amortization	-	-	115	-	115
Asset impairment loss	712	-	542	-	1,254
Claim settlement	-	-	-	6,000	6,000
Net operating expenses	48,253	3,236	15,753	12,180	79,422
Operating income (loss)	13,888	7,608	6,201	(12,180)	15,517

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	Ridley Feed Operations (\$000)	Ridley Feed Ingredients (\$000)	Ridley Nutrition Solutions (\$000)	Corporate and Eliminations (\$000)	Ridley Inc. Consolidated (\$000)
June 30, 2009					
Total assets	129,679	23,878	67,357	5,303	226,217
Property, plant and equipment	61,086	3,350	24,151	17	88,604
Goodwill	12,293	4,327	21,362	-	37,982
Other intangibles	-	-	4,379	-	4,379
Expenditures - property, plant & equipment	4,411	785	2,327	1,089	8,612

	Ridley Feed Operations (\$000)	Ridley Feed Ingredients (\$000)	Ridley Nutrition Solutions (\$000)	Corporate and Eliminations (\$000)	Ridley Inc. Consolidated (\$000)
June 30, 2008					
Total assets	162,299	31,417	67,786	7,165	268,667
Property, plant and equipment	67,400	2,864	23,833	3	94,100
Goodwill	24,906	4,327	21,362	-	50,595
Other intangibles	-	-	4,553	-	4,553
Expenditures - property, plant & equipment	5,716	131	1,479	3,195	10,521

Revenues, property, plant and equipment, goodwill and other intangibles by geographic area are as follows:

	Revenue		Property, plant and equipment		Goodwill		Other intangibles	
	2009 (\$000)	2008 (\$000)	2009 (\$000)	2008 (\$000)	2009 (\$000)	2008 (\$000)	2009 (\$000)	2008 (\$000)
United States	473,380	476,551	69,182	70,080	37,982	37,982	4,379	4,553
Canada	130,033	156,906	19,422	24,020	-	12,613	-	-
Total	603,413	633,457	88,604	94,100	37,982	50,595	4,379	4,553

24. Director and officer indemnification

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their services to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers, as well as those of certain affiliated companies.

25. Change in majority shareholder

On November 4, 2008, the Company's 68.8% controlling shareholder, Ridley Corporation Limited ("Ridley Australia"), sold its investment in the Company to Fairfax Financial Holdings ("Fairfax") Limited for a purchase price of C\$8.50 per share. The agreement between Ridley Australia and Fairfax was a private sale agreement to which the Company was not a party.

26. Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation.

CORPORATE DIRECTORY

CORPORATE OFFICE

Bradley P. Martin
Chairman

424 North Riverfront Drive
PO Box 8500
Mankato, Minnesota, U.S.A.
56002-8500
Telephone: (507) 388 9400
Facsimile: (507) 388 9415

EXECUTIVE COMMITTEE

Steven J. VanRoekel
President & C.E.O.

Gordon Hildebrand
Chief Financial Officer

K. Bruce Campbell
Corporate Secretary

Robert E. Frost
Executive Vice President, Ridley Inc.
President, Ridley Nutrition Solutions

Michael J. Hudspith
Executive Vice President, Ridley Inc.
President, Ridley Feed Operations and
Ridley Feed Ingredients

Denis Daudet
Vice President, Ridley Inc.
Chief Operating Officer, RFO Canadian
Feed Operations

Thomas Seite,
Vice President, Ridley Inc.
General Manager, Ridley Feed Ingredients

Dennis Conlon
General Manager, RFO U.S. Feed
Operations

Mark D. Nelson
Director of Sales, Ridley Block Operations

AUDITORS

PricewaterhouseCoopers LLP Winnipeg, Canada

BANKERS

Bank of Nova Scotia Toronto, Canada

LEGAL COUNSEL

Borden Ladner Gervais LLP Toronto, Canada
Dorsey & Whitney LLP Minneapolis, U.S.A.
Pitblado LLP Winnipeg, Canada

TRANSFER AGENT

Computershare Investor Services Inc. Toronto, Canada
For inquiries:
Telephone: (800) 564 6253
Facsimile: (866) 249 7775

FINANCIAL CALENDAR 2009 – 2010*

Following are the anticipated dates on which the
Company will announce its results of operations:

First quarter report to Sep 30	November 9, 2009
Second quarter report to Dec 31	February 10, 2010
Third quarter report to Mar 31	May 12, 2010
Year-end results to Jun 30	September 10, 2010

* Subject to change

ANNUAL GENERAL MEETING

Fairmont Royal York, Toronto November 9, 2009

COMPANY INFORMATION

For investment analyst inquiries, please contact our Chief
Financial Officer at (507) 388 9577. For copies of annual
and quarterly reports, annual information forms and other
disclosure documents, please contact our Corporate
Secretary at (507) 388 9421.

Trading Symbol: RCL on The Toronto Stock Exchange

The following trade names are owned or licensed by
Ridley Inc. and its subsidiaries: Ridley, Feed-Rite,
Hubbard Feeds, Ridley Feed Ingredients, Ridley Specialty
Products, Ridley Block Operations, Farmix,
CRYSTALYX®, McCauley's®, Post Time®, Sweetlix®,
Ultralyx®.



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